To: The Board

For meeting on: 24 September 2014

Agenda item: 4

Report by: Jason Dorsett, Finance, Reporting & Risk Director
Yin Shi, Head of Sector Reporting

Report on: Quarterly report on the performance of the NHS foundation trust sector: 3 months ended 30 Jun 2014

Overview

1. An increase in the number of patients being treated combined with high use of contract and agency staff and a need to make cost savings, has put NHS foundation trusts (NHSFTs) under unprecedented financial and operational pressure. This has led to a sharp deterioration in the overall sector performance in Q1 2014/15:

   - NHSFTs failed to meet a number of key operational targets, including accident and emergency (A&E) 4-hour waits, the 18-week waiting time target for admitted patients, and the cancer 62-day waits target. This reflected system-wide pressure caused by a steady rise in the number of patients attending A&E and being referred for treatment.

   - The sector had planned for a deficit of £80m at Q1, but demand pressures, the need to maintain care quality and under-delivery of planned cost improvement programmes (CIPS) led NHSFTs to report an overall deficit of £167m for Q1 2014/15, including individual deficits at 86 trusts totalling £227m.

   - Historically, trusts tend to improve their financial performance as the year progresses. However, the rate of improvement observed at Q4 2013/14 compared to Q1 2013/14 was marginal. Given the current level of cost pressures faced by NHSFTs, it is likely that the NHSFT sector will end the current financial year with an overall deficit.

2. The detailed analysis is annexed in the attached pack to this paper.

Operational performance

A&E

3. The NHSFT sector as a whole has failed to meet the 95% target for A&E 4-hour waits, with a performance of 94.8%. NHSFT A&E departments treat a disproportionate share of the most unwell patients (type 1 major A&E) where meeting the target is most challenging. Nevertheless this is the first time that the sector has missed the national target in the first quarter.

4. A&E attendances reached 2.7m at Q1 2014/15, a 3.5% like-for-like increase compared to the same period last year. Reasons behind the growth in emergency demand are not fully clear at this stage, but the data suggest that the rise in A&E attendances may not be a direct contributing factor to the underperformance. Instead, feedback suggests that increases in the severity and complexity in A&E patients, together with capacity constraints for admitting patients who require further treatment, appear to have had an impact on A&E performance.

Elective care

5. NHSFTs breached the admitted elective waiting time target for five consecutive months between February (89.9%) and June (89.2%) 2014. The size of the waiting list across the NHS has reached a historical high of c.3 million patients (including 1.7m for NHSFTs), while capacity to meet this elective demand has been further constrained by the growth in emergency activity during the quarter.

6. Operational resilience funding for the year is in place to help trusts improve their capacity and capability to reduce waiting lists and improve A&E performance.

Cancer care

7. During Q1 2014/15, about 18,200 patients were referred to NHSFTs for cancer treatment compared to 16,900 in the same period last year. Overall NHSFTs achieved cancer waiting time targets for screening services and 2-week waits. However, the sector failed the 85% target for 62-day wait from GP referrals in Q1 2014/15, with a performance of 84.7%. 27 trusts breached the target this quarter, compared to eight at Q1 2013/14.

8. The consistently high level of cancer referrals in recent quarters appears to have had a direct bearing on the decline in performance. This, combined with rising emergency demands, has created further capacity pressures. In addition, consultant shortages in some specialities (e.g. urology) and late referrals have also been cited as key contributing factors for the breach.

C difficile

9. While demand pressures have increased, NHSFTs managed to further reduce their total C. difficile cases in Q1 2014/15. The 688 cases of C. difficile reported in Q1 2014/15 was a 13% reduction compared with Q1 2013/14. 287 or 40% were due to lapses in care.

Financial performance

Surplus / deficit

10. The NHSFT sector as a whole reported an overall deficit of £167m at Q1 2014/15, against a planned deficit of £80m. This is made up of a gross deficit of £227m at 86 trusts (which was £58m worse than plan), offset by £60m surplus at 61 trusts (which was £29m below plan).

11. Although the deterioration in financial performance was observed across the board, the decline is particularly significant in the acute sector, where 80% of trusts were in deficit contributing 90% of the total gross deficit.

12. The deficit was exaggerated by a £32m shortfall in incomes from donations, which is likely to be a timing issue, and the underperformance of *King's College Hospital NHS Foundation Trust* (£18.4m below plan). The underperformance at *King's* is due to operational pressures at the *Princess Royal University Hospital* which it has recently acquired and is now attempting to turn around after a long period of underperformance at the hospital.

EBITDA

13. The performance deterioration in the majority of NHSFTs was also reflected in a further decline in the EBITDA margin, from 5.1% in the same period last year to 3.4% this quarter (0.6% below plan). Although historical trends suggest that trusts tend to improve their EBITDA margin in later quarters, the rate of improvement has started to decline and the planned trajectory for the remainder of the year now looks highly ambitious. Given the size of the deficit in Q1 2014/15, FTs would need to outperform this ambitious trajectory to avoid a full year deficit.

Performance drivers

14. Although operating revenue is on plan, the growth in expenditure (1%) outstripped the growth in revenue (0.4%) and contributed to the decline in NHSFT finances. Expenditure growth can be linked to the following factors:

    1) *Overspend on contract and agency staff*:
    Foundation trusts continue to experience difficulties in recruiting and retaining permanent staff. Given the growth in demand in Q1 2014/15 and the need to maintain safe staffing levels, a planned year-on-year reduction in agency staff usage has not materialised. Instead, spend on contract and agency staff is double the planned figure. In the medium to long term, this level of spend on temporary staff cannot be sustained. In the interest of patient care, trusts therefore need to take urgent actions to develop a more sustainable workforce response to demand and cost pressures.

2) *A continued decline in the sector's ability to deliver cost savings:*
   In Q1 2014/15, the sector reduced its controllable operating costs by £223m or 2.2% through CIPs. This is £58m (or 21%) less than planned. The under-delivery is largely related to slippage in recurrent schemes, especially pay cost savings. Consequently, trusts have placed an increased reliance on non-recurrent schemes (e.g. delaying the recruitment of administrative and clerical staff) to make up the shortfall. However, trusts have delivered 4.4% CIPs in relation to non-clinical supplies, indicating they are responding to the Department of Health's central procurement savings programme.

Cash and capex

15. While the cash retained at the end of the quarter is close to plan, cash generated from operations is significantly reduced by the deficit. Although FTs are able to compensate for this by managing their working capital, especially by reducing accrued income and prepayments and increasing trade creditors, the current approach to cash management cannot be maintained in the long run.

16. During Q1 2014/15, NHSFTs continued to under-spend against their capital plans. However, actual spend was 12% higher than Q1 2013/14, which suggests that foundation trusts continued to invest despite the pressure on trust finances. In the medium term however, the current level of capex is unsustainable unless operating margins improve.

Regulatory actions

17. In response to the financial and operational pressures faced by NHSFTs Monitor has taken a number of steps to support them in addressing the risks identified. In particular, our regulatory actions are focussed on quality, financial and operational issues which may have an adverse impact on services for patients.

18. In Q1 2014/15, 28 trusts received a red governance risk rating. All of these trusts are subject to enforcement actions, including nine in special measures. Four NHSFTs (*Aintree, Basildon, Cambridge, and Dorset Healthcare*) have since returned to compliance, while a further five trusts are expected to make progress towards compliance in the next 6 months.

19. Investigations are in progress at five trusts where major concerns were identified. Further evidence is being gathered at five trusts to determine whether a formal investigation should be opened.

20. We continue to monitor trust performance and review our regulatory responses to decide whether further actions are required.

Jason Dorsett
Finance, Reporting & Risk Director

Yin Shi
Head of Sector Reporting

Making a difference for patients:

Monitor's mission is to make the health sector work better for patients. By reviewing foundation trust 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 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.

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Making the health sector work for patients

Performance of the foundation trust sector

3 months ended 30 June 2014

www.gov.uk/monitor

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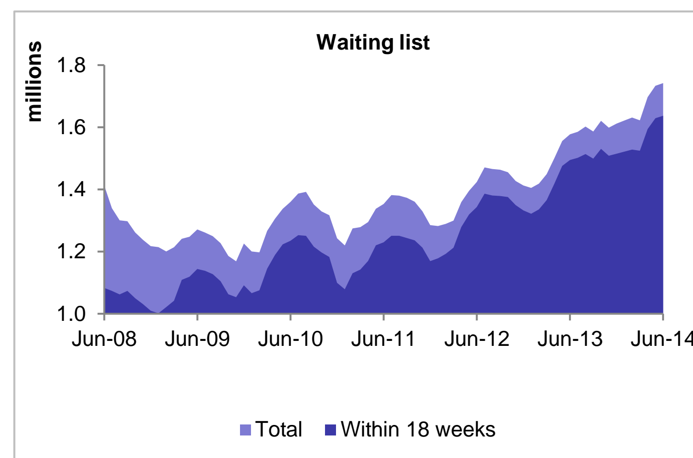
1.0 Summary

1.1 Operational summary

Description	Activity	Standard	Q1 2014/15 Performance
4 hour A&E waiting time standard	**c. 2.7m** attendances	95%	94.8%
18 week waiting time standard: admitted	**c. 1.7m** referrals	90%	89.2%
18 week waiting time standard: non-admitted		95%	96.5%
18 week waiting time standard: incomplete pathways		92%	94.0%
Cancer standard: 62-day wait for first treatment from GP referral	**c. 18,200** referrals	85%	84.7%

A&E performance breakdown

Description	Total Attendances	Q1 2014/15 performance
Type 1 - major A&E	2.1m	93.4%
Type 2 - single specialty	0.1m	99.6%
Type 3 – minor injury unit	0.5m	99.7%



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1.2 Financial and risk rating summary

Year to 30 June 2014

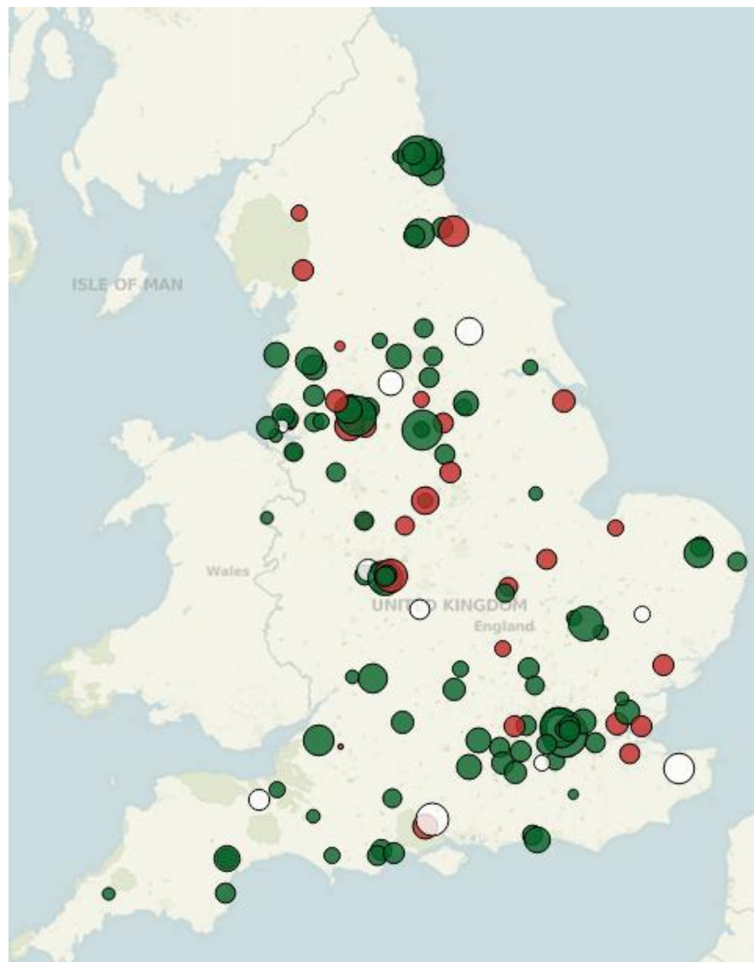
	Number of trusts	Operating Revenue £m	Net surplus £m	EBITDA %	GRR red rated trusts	% red rated
Acute	83	7,475	(197)	2.7%	23	28%
Mental health	41	2,050	19	5.0%	3	7%
Specialist	18	736	6	5.4%	2	11%
Ambulance	5	225	4	5.5%	-	-
Total	147	10,486	(167)	3.4%	28	19%

Analysis of Acute sector

	Number of trusts	Operating Revenue £m	Net surplus £m	EBITDA %	GRR red rated trusts	% red rated
Teaching [4]	18	3,121	(49)	4.0%	3	17%
Large (revenue over £400m p.a.)	6	752	(1)	5.0%	1	17%
Medium (revenue £200m-£400m p.a.)	39	2,725	(100)	1.5%	12	31%
Small (revenue under £200m p.a.)	20	877	(47)	-0.4%	7	35%
Total	83	7,475	(197)	2.7%	23	28%

1.3 Regional summary

Regional analysis:



The graph is based on Q1 2014/15 information: the size of the circle represents the size of revenue and the colour represents the governance risk rating.

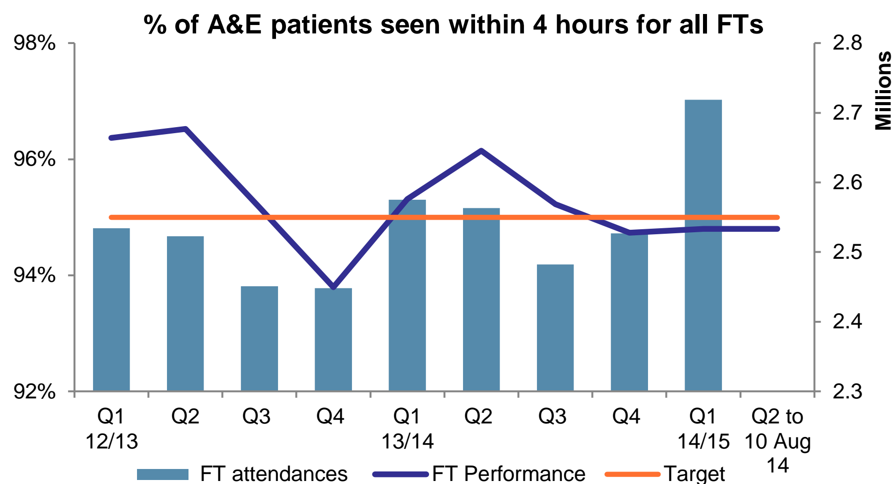
Regional summary Q1 2014/15

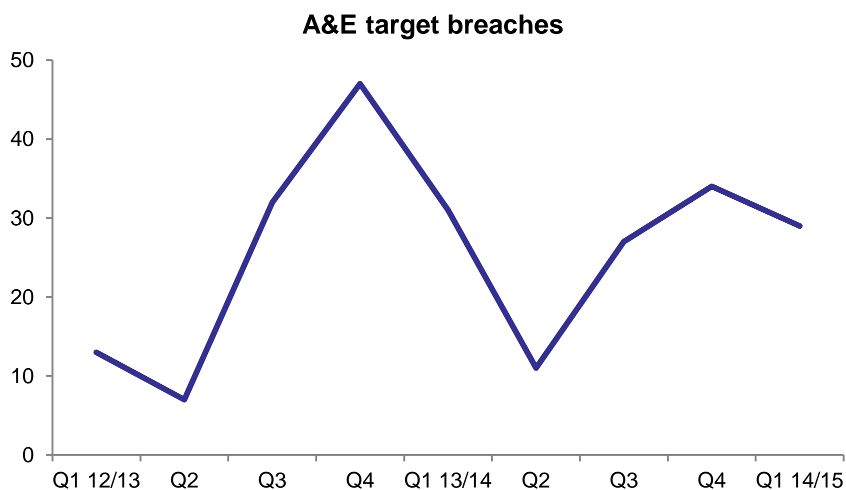
Actual	London 19 trusts	Midlands 38 trusts	North 55 trusts	South 19 trusts	Total 147 trusts
Operating Revenue (£m)	1,943	2,312	3,923	2,290	10,468
Cost improvement programmes %	1.8%	2.3%	2.3%	2.1%	2.2%
EBITDA %	3.5%	2.3%	3.8%	3.7%	3.4%
Net Surplus %	-1.6%	-3.0%	-0.8%	-1.5%	-1.6%
Net surplus/(deficit) (£m)	(31)	(69)	(33)	(34)	(167)

- The net deficit for the sector is £167m at Q1 2014/15, compared to a planned deficit of £80m. Close to 60% of trusts are in deficit which is 30% higher than planned.
- The Midlands has the largest net deficit at Q1 2014/15, which is broadly in line with local plans, whereas the other regions are significantly below plan. 50% of the variance against plan relates to the London region, with half of this variance relating to *Kings.*
- If *Mid Staffordshire* is excluded from the Midlands regions (as the trust is planned to be dissolved during 2014/15), the region's EBITDA would improve to 2.7%.
- 80% of acute trusts are in deficit at Q1 2014/15, and contribute over 90% of the total gross deficits.

2.0 Operational performance

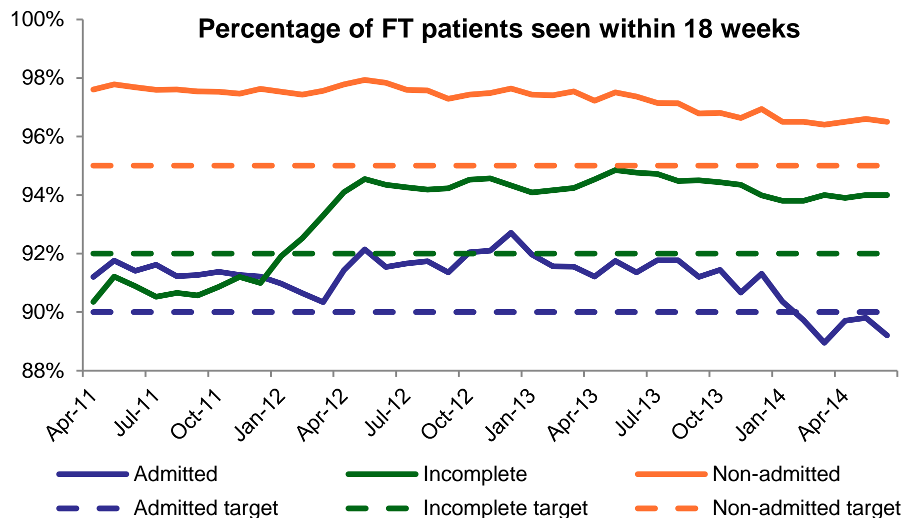
2.1 Accident & emergency

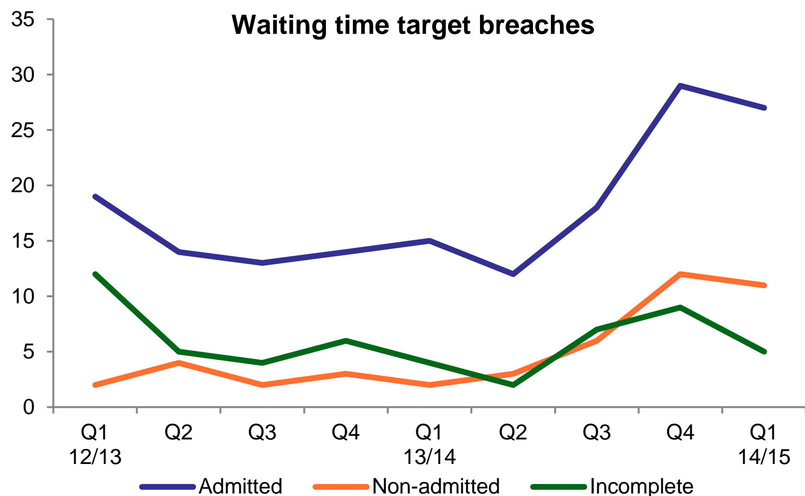




- Foundation trusts failed to achieve the A&E four hour waiting time target in Q1 2014/15, with a performance of 94.8% against the standard of 95%. This is a decline against the 95.3% performance at Q1 2013/14, although the number of trusts breaching the target dropped from 31 in Q1 2013/14 to 29 this quarter.
- The FT sector has never before failed the summer quarters, and performance has not improved in Q2 2014/15 to date.
- During Q1 2014/15, A&E attendances reached 2.7 million, a 3.5% increase based on a like for like comparison (e.g. excluding the impact of new FTs and merger). Attendances at major A&E units increased by 3.8%, while attendances at walk in centres or minor injury units have increased by 3.2%.
- Local health economies do not have a consistent explanation for the growth in emergency demand. The data suggest that the rise in A&E attendances is not the key driver for A&E underperformance. Instead, the rise appears to be strongly correlated with increases in the complexity and severity of A&E patients, plus capacity constraints that prevent hospitals admitting patients for further treatment.
- Whilst historically there has been no correlation between performance against A&E and waiting time standards, it now appears that the sheer scale and breadth of wider pressures on foundation trusts are making it more difficult for them to sustain A&E performance than in previous years.

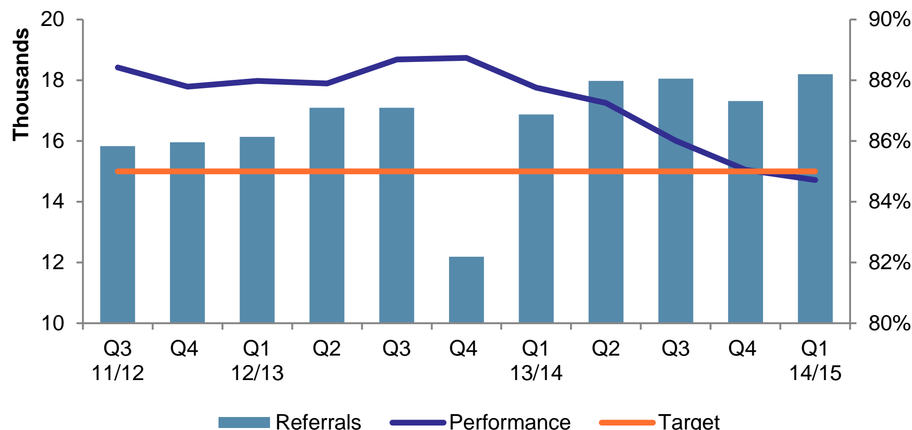
2.2 Waiting time standards

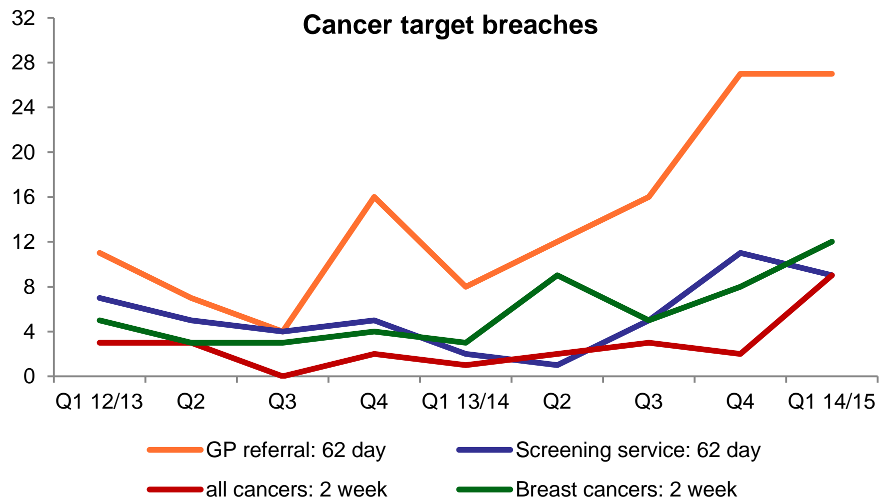




- FTs as a whole failed the 90% RTT admitted target for five consecutive quarters from February 2014 (89.9%) to June 2014 (89.2%). The target was previously failed in March 2011 (89.3%) for one month.
- This deterioration in performance was largely due to trusts experiencing capacity constraints due to an increase in emergency admissions together with the need to treat a backlog of long waiters.
- In the meantime, the size of the NHS waiting list reached a record high of c.3 million patients in May 2014 (including c. 1.7m referrals to FTs). A further 9% patients joined the waiting list in June 2014 compared to June 2013.
- The growth in the waiting list is largely due to underlying demand rise and previous IT system related issues which led to referrals not being fully captured and validated. Correcting these problems has contributed to the increase in the waiting list total.
- Close to 0.5m patients were admitted to hospital for treatment during Q1 2014/15, an increase of 2% from the same quarter last year. The median waiting time for patient on admitted, non-admitted and incomplete pathways has increased from 8.7, 5.2 and 5.7 weeks in June 2013 to 9.4, 5.4 and 5.8 weeks in June 2014 respectively, confirming that pressures are concentrated on inpatient care.
- FTs are making a concerted effort to clear their waiting list backlogs, and operational resilience funding from DH is in place to further help trusts improving their capacity and capability to do this.

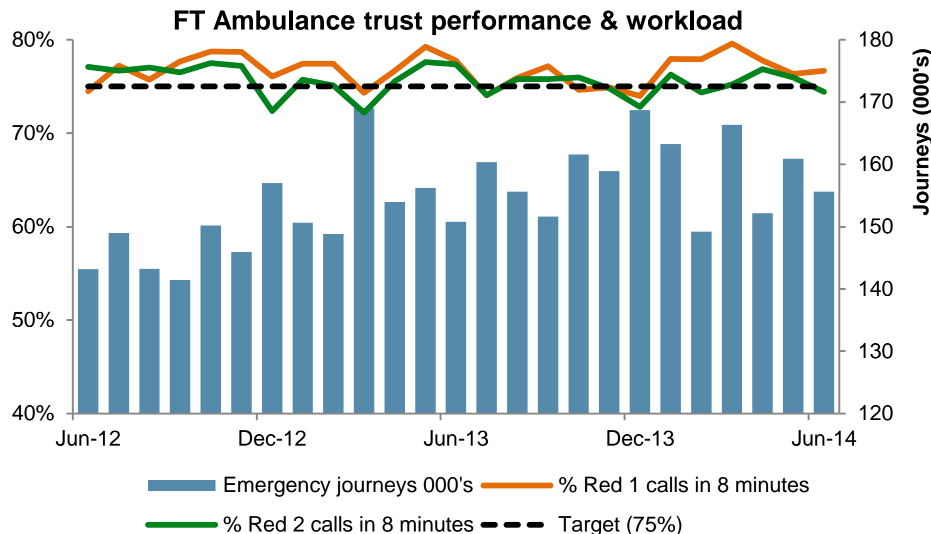
2.3 Cancer waiting time targets

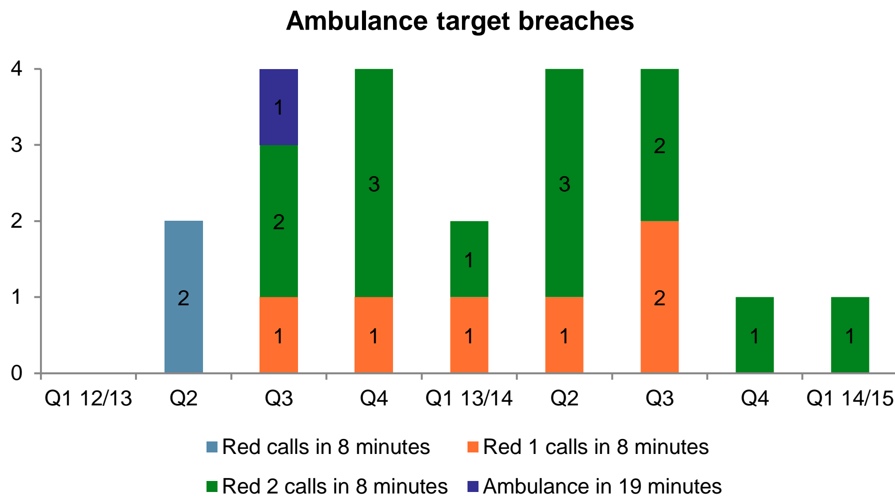




- Performance against cancer waiting time targets has steadily deteriorated over the past year. At Q1 2014/15, the sector recorded a performance of 84.7% for the 62-day wait from GP referral. This is the first time that the sector has failed to meet the 85% target. Performance in London and the Midlands was particularly weak at 81.3% and 82.6% respectively.
- The number of trusts failing the target rose to 27 at Q1 2014/15 compared with 8 at Q1 2013/14. Across the sector, trusts cited sustained demand pressures (due to national cancer awareness campaigns) as one of the main contributing factors. Our analysis shows that cancer GP referrals have seen a year on year increase of 8%, and currently stands at 18,200 at Q1 2014/15.
- The consistently high level of referrals in recent quarters appears to have a direct bearing on the decline in performance. When combined with rising emergency demand and elective referrals, a further increase in cancer referrals creates pressure on diagnostic, surgical and inpatient bed capacity. In addition, foundation trusts have also cited late referrals, consultant shortage (especially in urology), complex diagnostic pathways, and inter trust referral protocols as some of the reasons for breaches.
- While foundation trusts have achieved cancer targets for 62-day screening services and 2-week wait referrals, the number of trusts breaching these targets has increased. Feedback from trusts and other data suggests that this is due to inadequate outpatient and diagnostic capacity, as well as patients cancelling, declining or being unavailable for an offered appointment.

2.4 Ambulance response times





- Overall, calls to ambulance switchboards have gone up by c.3% compared to Q1 2013/14. Red 1 (most time critical patients) and Red 2 (serious but less time-critical patients) calls resulting in emergency responses have seen a year-on-year rise of 48% and 8% respectively.
- The reasons for this growth are yet to be ascertained. However, it may have contributed to the emergency demand pressures experienced by acute providers, as most of these patients are likely to be conveyed for hospital treatment.
- Despite a rise in demand, foundation trust ambulance services in aggregate achieved both response time targets for Red 1 and Red 2 calls, with a performance of 77% and 76% respectively in Q1 2014/15.
- Ambulance services in the Midlands performed particularly well, while the South region was the only one to fail the response time target for Red 2 calls in Q1 2014/15.

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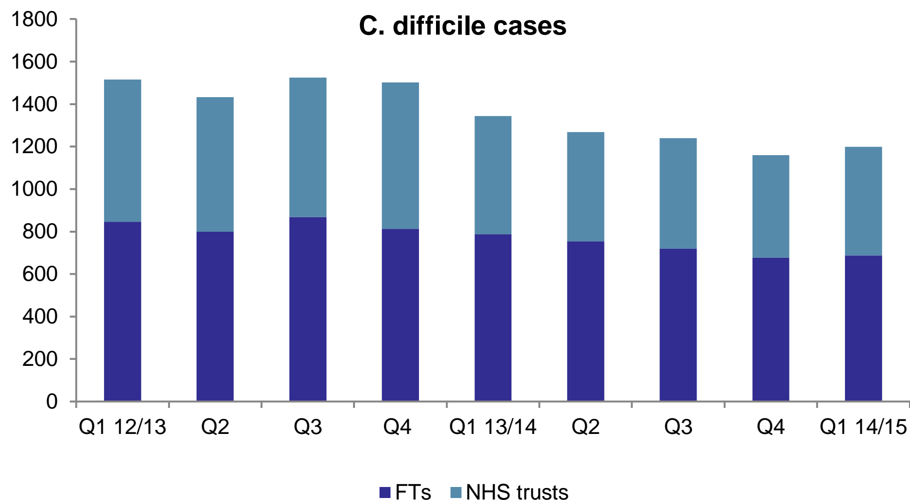
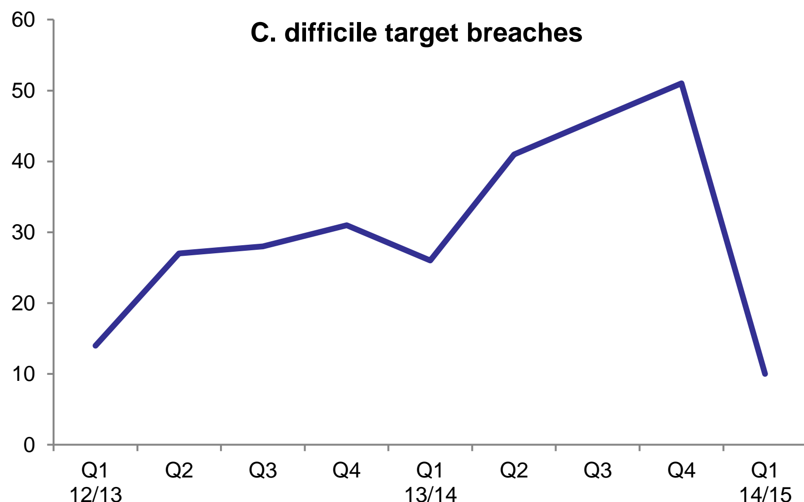
2.5 Infection control





- The way the *C. difficile* target performance is calculated has changed from 2014/15:
  1. Over the past few years, the *C. difficile* target has become increasingly tough to achieve, despite continuous improvements by trusts. The way it worked meant that a trust with fewer *C. difficile* cases than the previous year could still fail the target. As a result the target for *C. difficile* cases has increased by 15% for 2014/15 compared to 2013/14.
  2. In addition, trusts will no longer be measured against the total number of *C. difficile* cases, instead only those cases due to 'lapses in care' will be measured against the target.
- The trend is a continuing decline in the number of *C. difficile* cases in the NHS. However, the fall in the number of target breaches in Q1 2014/15 was driven by the changes to the target calculation methodology. Under the new guidance, we are now tracking the number of 'lapse of care' cases.
- Foundation trusts reported a total of 688 cases of *C. difficile* in Q1 2014/15 compared with 788 in Q1 2013/14, a 13% reduction.
- 287 or 40% of the reported *C. difficile* cases are due to lapses in care. A further 141 cases are currently being reviewed to determine if the these were due to lapses in care.

3.0 Financial performance

3.1 Income & expenditure

Year to date	Q1 2014/15		Variance to plan		Q1 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Operating Revenue for EBITDA	**10,468**	**10,429**	**40**	**0.4%**	**9,982**
Pay costs	(6,776)	(6,682)	(94)	1.4%	(6,387)
Other operating expenses	(3,340)	(3,330)	(10)	0.3%	(3,083)
EBITDA	**353**	**416**	**(64)**	**-15.3%**	**512**
Depreciation	(305)	(309)	4	-1.3%	(289)
Finance costs	(90)	(91)	1	-1.2%	(83)
PDC dividend	(128)	(131)	3	-2.2%	(120)
Other non-operating items	9	42	(33)	-79.4%	7
Restructuring costs[1]	(6)	(7)	1	-17.2%	(3)
Net surplus	**(167)**	**(80)**	**(88)**	**110.3%**	**23**
Gains/(losses) on transfers [2]	0	0	0	0.0%	0
Impairments	(2)	(10)	7	-75.6%	(9)
Net surplus after impairments & transfers by absorption	**(170)**	**(89)**	**(81)**	**90.3%**	**15**
EBITDA %	3.4%	4.0%			5.1%
Net Surplus %	-1.6%	-0.8%			0.2%

- The foundation trust sector has a net deficit (£167m) for the first time in Q1 2014/15. The scale of the deficit is partially due to the delay of a £32m asset donation (the variance is reported against "other non-operating items") and underperformance of *King's College Hospital NHS Foundation Trust* (£18.4m below plan) as a result of operational pressures in turning around the under-performance at *Princess Royal University Hospital*.
- The number of trusts in deficit has grown from 40 at Q4 2013/14 to 86 this quarter with a gross deficit of £227m.
- Acute trusts are the only sector that have a net deficit at Q1 2014/15 with 80% of the trusts reporting a deficit. The total gross deficit of £197m reported by acute trusts accounts for 90% of the total gross deficits. Mental Health, Ambulance and specialist trusts all have a small surplus.
- While the financial position in Q1 has historically been worse than the final year end position, the low EBITDA and underperformance against plan is unprecedented.
- The growth in expenditure of 1% has outstripped the growth in revenue of 0.4%, contributing to the decline in financial performance.
- The unplanned increase in A&E attendances and non-elective activity, and need to achieve safe staffing levels have driven an increase in pay costs of 1.4%, with a 1.6% increase at acute trusts and 1.1% for the rest of the sector. Trusts have cited a need to maintain quality of care has resulting in higher pay costs, with vacancies filled by agency staff which has severely impacted upon trusts' ability to deliver recurrent pay cost savings.

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3.2 Revenue analysis

Year to date	Q1 2014/15		Variance to plan		Q1 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Ambulance	214	213	1	1%	212
Community	747	745	2	0%	733
Mental health	1,390	1,391	(0)	0%	1,400
Elective in-patients	721	762	(40)	-5%	715
Elective day cases	603	607	(4)	-1%	581
Outpatients	1,089	1,096	(6)	-1%	1,114
Non-elective in-patients	1,597	1,579	18	1%	1,581
A&E	235	227	9	4%	220
Maternity	191	167	24	14%	n/a[1]
Diagnostic tests & imaging	99	95	4	4%	n/a[1]
Critical care:	327	316	11	3%	n/a[1]
High cost drugs revenue	453	418	36	9%	n/a[1]
Other drugs revenue	112	92	20	22%	n/a[1]
Direct access & Op, all services	82	76	6	8%	n/a[1]
Unbundled chemotherapy	39	37	2	4%	n/a[1]
Unbundled beam radiotherapy	47	47	(0)	0%	n/a[1]
CQUIN revenue	125	116	9	8%	n/a[1]
Other NHS clinical revenues	1,060	1,121	(60)	-5%	2,153
NHS contract penalties or adjustments	(17)	(10)	(7)	75%	0
Non-NHS clinical revenues	193	190	3	2%	173
Total clinical revenue	**9,309**	**9,284**	**24**	**0.3%**	**8,881**
Research and Development	150	147	3	2%	138
Education and Training	373	365	7	2%	363
Other non-clinical revenue	655	681	(26)	-4%	619
Total non-clinical revenue	**1,177**	**1,194**	**(16)**	**-1.4%**	**1,120**
Total operating revenue	**10,486**	**10,478**	**8**	**0.1%**	**10,001**
Less: Donations & Grants of PPE	(17)	(49)	32	-65%	(19)
Total operating revenue for EBITDA	**10,468**	**10,429**	**40**	**0%**	**9,982**

[1] *The breakdown of these revenues was not collected prior to 2014/15*

- Operating revenue is on plan at Q1 2014/15, but has not kept pace with the level of unplanned rises in A&E attendances and emergency (non-elective) admissions. This has resulted in pay costs increasing at a higher rate than income, leading to more trusts becoming financially challenged.
- Foundation trusts reported significant operational pressures within the system, impacting on their capacity to effectively deliver their elective work. As a result, elective inpatient activities and revenues were both below plan during the quarter, down 3% and 5% respectively.
- A&E revenue has seen a 7% year on year growth which is largely unplanned. This is supported by year on year rise in A&E attendances which was 3% above plan.
- Non-elective admissions have also seen an unplanned increase of 4%. However, the increase in non-elective activities only brought 1% revenue growth due to the 30% marginal rate rule applied to emergency admissions.
- Operating revenue increased by c.3% (£300m) when compared to the same period last year, after taking account the impact of new foundation trusts (*Kingston*) and hospital mergers (*Kings*).
- From this quarter we have started collecting more details of what was previously categorised as "other NHS clinical revenues" (lines with *italic* text). This reveals significant positive variances on pass through drugs revenues, critical care and maternity PbR revenues. The remaining "Other NHS clinical revenues" were 5% below plan, which suggests that trusts have not received unplanned funding support during the quarter.

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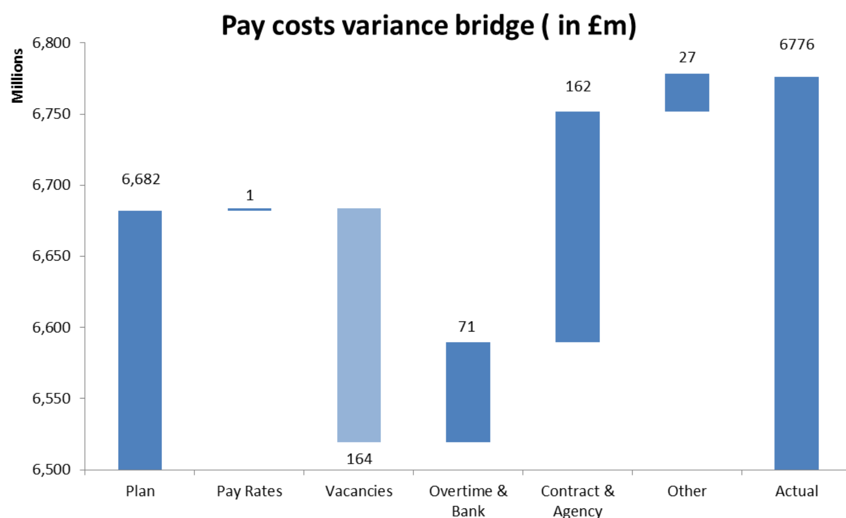
3.3 Operating expenses

Year to date	Q1 2014/15		Variance to plan		Q1 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Pay - employees	6,385	6,493	(108)	-2%	6,086
Pay - contract and agency staff	391	189	202	106%	300
Pay expense	**6,776**	**6,682**	**94**	**1.4%**	**6,387**
Ambulance operating costs	17	18	(1)	-3%	17
Clinical supplies	894	885	9	1%	838
Drugs	861	839	22	3%	761
Non Clinical Supplies	424	427	(3)	-1%	387
Other operating expenses	1,145	1,163	(18)	-2%	1,080
Non Pay expense	**3,340**	**3,330**	**10**	**0.3%**	**3,083**
Total operating expenses for EBITDA	**10,116**	**10,012**	**104**	**1%**	**9,470**



- Operating expenses are 1% above plan, with the largest individual variance being in contract staff costs.
- Trusts have consistently cited difficulties in recruiting to permanent posts as the reason for the overspend on agency staff, particularly nurses and middle grade doctors. The 2014/15 plan assumed a 40% annual reduction in contract and agency spend, and the 2013/14 plan assumed a 50% annual reduction.
- However, an analysis of agency staff costs as a % of total staff costs highlights that historically trusts have not reduced agency staff costs. These having increased c. 20% annually over the last two years.
- The pay cost variance bridge highlights that pay rates are not the primary issue. 40% of the savings on staff vacancies have been spent on staff overtime and bank costs, consequently the remaining vacancies have been filled, where possible, by agency staff.
- This level of spend on temporary staff cannot be sustained in the medium to long term. Urgent action is needed by foundation trusts to develop a more sustainable workforce response to demand and cost pressures in the interest of patient care.
- There is less variation in non-pay operating costs. In 2014/15 we are now able to analyse the income reimbursements for high cost & other drugs, totalling £566m, £56m over plan. Trusts had £34m more high cost & other drugs income than expenditure in Q1 2014/15.

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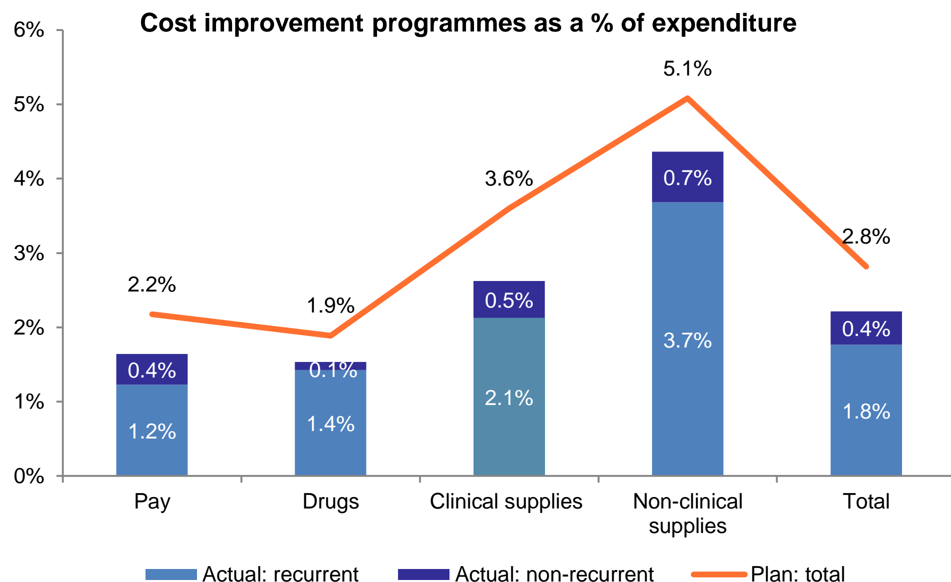
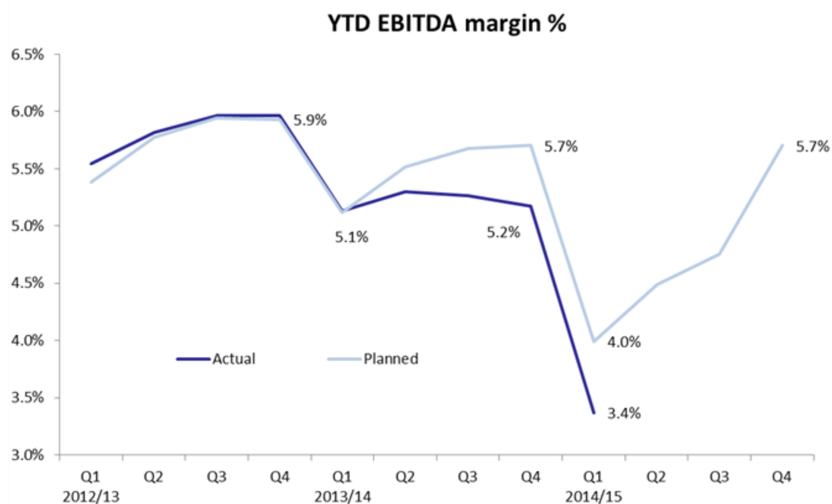
3.4 Cost improvement programmes



Cost improvement programmes as a % of operating expenditure	Q1 2014/15 Actual	Q1 2014/15 Variance from plan	Q1 2013/14 Actual	Q1 2013/14 Variance from plan
Teaching acute	1.9%	-0.7%	2.2%	-0.8%
Large acute	1.7%	-1.0%	3.1%	-1.1%
Medium acute	2.2%	-0.7%	2.2%	-0.6%
Small acute	1.9%	-0.5%	2.1%	-0.2%
Total acute	**2.0%**	**-0.7%**	**2.3%**	**-0.7%**
Mental Health	2.8%	-0.3%	3.1%	-0.3%
Specialist	1.9%	-0.6%	2.4%	-0.4%
Ambulance	3.9%	0.5%	3.2%	-1.5%
Total	**2.2%**	**-0.6%**	**2.5%**	**-0.6%**

- Overall delivery of efficiency savings through cost improvement programmes has reduced controllable operating costs by £223m or 2.2% so far this year, compared with £240m or a 2.5% saving at this point last year. This is £58m or 21% behind the aggregate plan.
- Pay cost savings of £65m against planned savings of £95m are the major factor in under delivery of efficiency savings in the year to date.
- CIP delivery was most successful in respect of non-clinical supplies (4.4%) and clinical supplies (2.6%). This suggested that foundation trusts are improving their procurement. However, these are not areas of significant cost to trusts. Hence, success in these areas is not sufficient to compensate for the underperformance on pay CIPs.
- Whilst foundation trusts had planned to deliver a large proportion of their efficiency savings through recurrent schemes, they continue to rely on non-recurrent savings to reduce costs. Overall, 25% of total savings were from non-recurrent schemes, compared to 9% in the plan and 22% in Q1 2013/14.
- Of the trusts that were surveyed about the key challenges preventing them from delivering their cost improvement programmes, 33% cited delays to implementation, but are still planning for these cost improvement programmes to be achieved by year end.

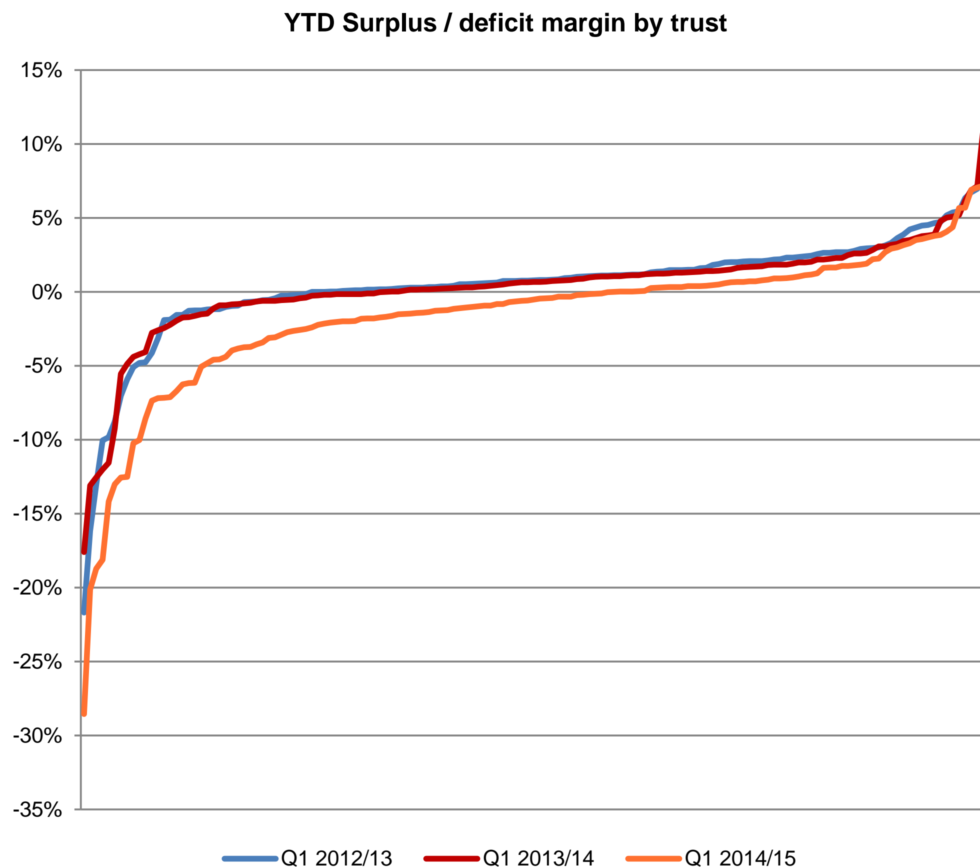
3.5 EBITDA margin



Trust Type	Q1 2014/15 EBITDA %	Q1 2014/15 Variance to plan %	Q1 2013/14 EBITDA %	Q1 2013/14 Variance to plan %
Teaching Acute	4.0%	-0.9%	5.5%	-0.3%
Large Acute	5.0%	-0.8%	5.8%	-0.1%
Medium Acute	1.5%	-1.0%	4.0%	0.0%
Small Acute	-0.4%	-0.9%	3.3%	-0.1%
Acute	2.7%	-0.9%	4.7%	-0.1%
Mental Health	5.0%	0.2%	5.7%	0.3%
Specialist	5.4%	-0.2%	7.3%	0.8%
Ambulance	5.5%	0.8%	6.2%	-1.4%
Total	3.4%	-0.6%	5.1%	0.0%

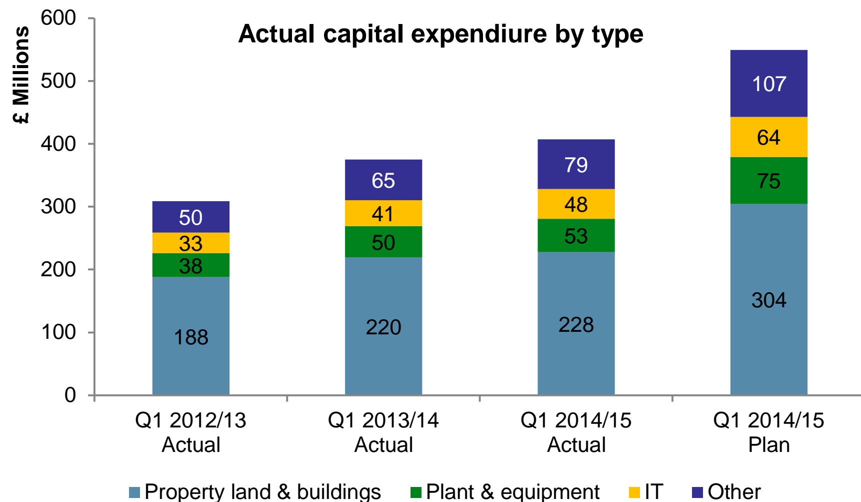
- For the first time the aggregate actual EBITDA margin this quarter declined below the 5% threshold as illustrated in the graph opposite. The actual EBITDA figure of 3.4% was significantly worse than the planned 4%.
- Historically, the year to date EBITDA has increased as the financial year progresses, which trusts attribute to the build up of efficiency savings and the payment for activity in excess of contracted level. In the past two financial years, the EBITDA margin at year end rose by 0.5% and 0.1% respectively from that at Q1, suggesting that the improvement is starting to decline and the planned trajectory for the remainder of the year now looks highly ambitious. Given the size of the deficit in Q1 2014/15, FTs would need to outperform this ambitious trajectory to avoid a full year deficit.
- Margins have deteriorated for all types of trust since Q4 2013/14, with medium acute trusts suffering the biggest decline. Ambulance and mental health trusts appear to be under less financial pressure than acute and specialist trusts, being the only types of trust to report a higher EBITDA margin than planned this quarter.
- Acute trusts in aggregate have performed the worst in EBITDA terms at an average EBITDA of 2.7%. This reflects a different operating model, with a higher proportion of their revenues being based on the national tariff. Mental Health and ambulance trusts are generally funded by block contracts, while specialist trusts receive tariff top-ups and some block funding.

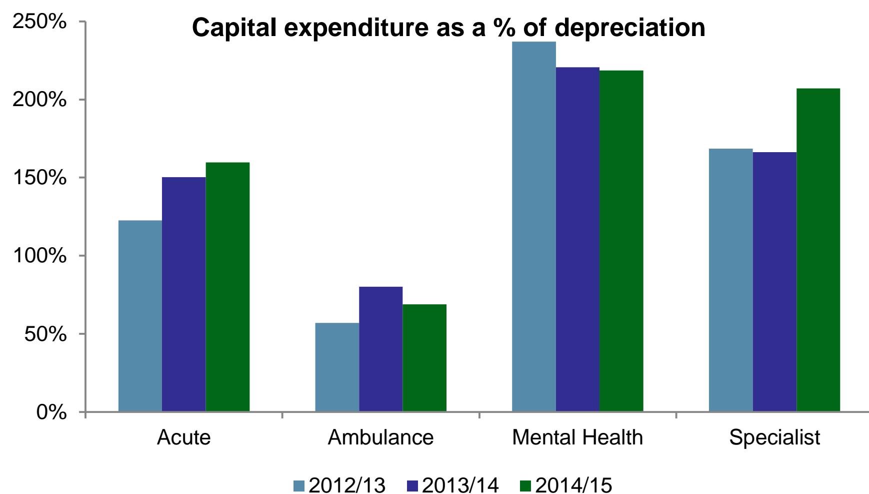
3.6 'S' curve



- The 'S' curve shows a substantial drop in margins across the sector with the breakeven position shifting to the right. The deficit trough has also become wider and deeper.
- The 'S' curve illustrates that financial problems at Q1 are no longer confined to a minority of foundation trusts. Now close to 60% of the foundation trusts (86) are in deficit. This is 30% higher than planned. Many of these are reporting deficits that are significant as a percentage of revenues.
- Although the deterioration in financial performance is observed across the board, the decline is particularly significant in the acute sector, with 80% of acute trusts reporting a deficit, compared to 51% at Q1 2103/14.
- Regionally, 22 of the deficit trusts (£85m) are in the Midlands, 31 in the North (£64m), 21 in the South (£42m) and 12 in London (£35m).
- While there continue to be some severely financially challenged trusts, there are also 32 trusts with individual deficit margins of under 3% in Q1 2014/15.

3.7 Capital expenditure





- In Q1 capital expenditure was £407m against a plan of £550m on an accruals basis. This means foundation trusts have spent 74% of their plans this quarter, compared to 83% in Q4 2014. However expenditure was higher than Q1 2013/14 and 2012/13 as illustrated in the top chart.
- As usual, and as planned, capital expenditure significantly exceeded cash generated from operations, with the difference being partly met by grants & loans drawn down and partly from cash holdings.
- The net drawdown of borrowings and the drawdown of PDC were £51m and £22m less than planned respectively, balancing the Capex underspend.
- Results from our Q1 survey now give a better picture of how foundation trusts intend to fund their capex in 2014/15. In relation to DH funded capital spend, foundation trusts expect to spend £500m of DH loans, some £62m of distressed funding PDC cash on capex, and £476m of other DH capital grants.
- The bottom chart shows capital expenditure as a percentage of depreciation. Actual capital expenditure is 169% of depreciation and amortisation charge, suggesting that aggregate investment levels are more than adequate across the sector. This compares favourably to 140% and 160% in Q1 2013/14 and 2012/13 respectively. The increase is primarily from acute trusts.
- While it is encouraging that trusts have continued to invest to improve their patient care, in the medium term the current level of capex is unsustainable unless operating margins improve.

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4.0 Regulatory performance

4.1 Assess & manage risks

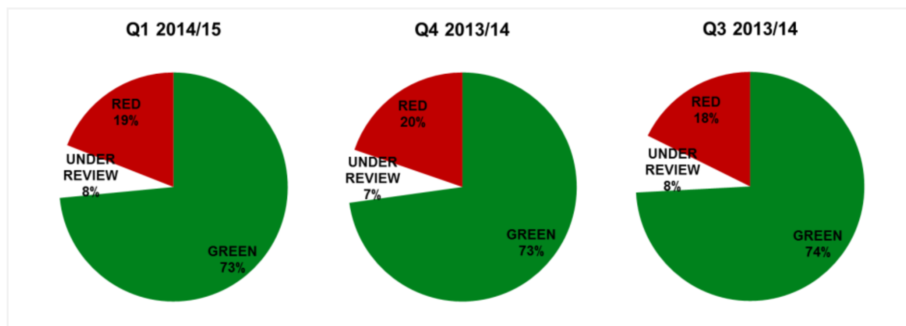
We oversee NHS foundation trusts' compliance with the requirements of their provider licence through the *Risk Assessment Framework (RAF).* Under the *RAF*, each foundation trust is assessed and assigned two risk ratings, a governance risk rating (GRR) and a continuity of services risk rating (COSRR), to reflect our views of its governance and on-going availability of key services.

Regulatory actions

- As a regulator, we respond to risks identified via a range of actions. The following regulatory actions have been undertaken to date:
  - Enforcement actions have been applied to 28 trusts receiving red governance risk rating including 18 being investigated for financial concerns, while four trusts (*Aintree, Cambridge, Basildon and Dorset Healthcare*) had their enforcement actions lifted.
  - Of those 28 red rated trusts, special measures are in place at nine trusts, while two trusts (*Basildon* and *Northern Lincolnshire and Goole*) have now been removed from special measures.
  - There were two ongoing investigations and four new investigations opened during the quarter where major concerns were identified, bring the total trusts under investigation to six. Further evidence is being gathered in relation to five trusts to determine whether a formal investigation should be opened.
  - 10 trusts have been asked to submit a reforecast for the reminder of the year due to in-year changes to the trust's financial circumstances which have resulted in a concern for the sustainability of services provided.
  - The process has now begun to transfer services from *Mid Staffs* to neighbouring trusts in preparation for the dissolution of the trust later this year.
  - Our Enforcement Team continues to help *Peterborough and Stamford Hospitals* to restore its financial sustainability. A decision was made in August 2014 to postpone the tender process to evaluate options for using spare capacity at the hospital, in order to allow the process to align with local commissioners' planning.
  - A Contingency Planning Team has been appointed to establish options for sustainable patient services at *King's Lynn* in September 2014.
  - Review of the current health service provisions has now been completed at *Bedfordshire and Milton Keynes,* a report detailing the findings and options will be published at the end of September 2014.
  - In addition, *Frimley Park*'s acquisition of *Heatherwood and Wexham Park* is going through a detailed review to ensure that risks around the sustainability of the enlarged organisation have been identified and managed appropriately. .
- Detailed actions can be found through the NHS foundation trust directory on our website.

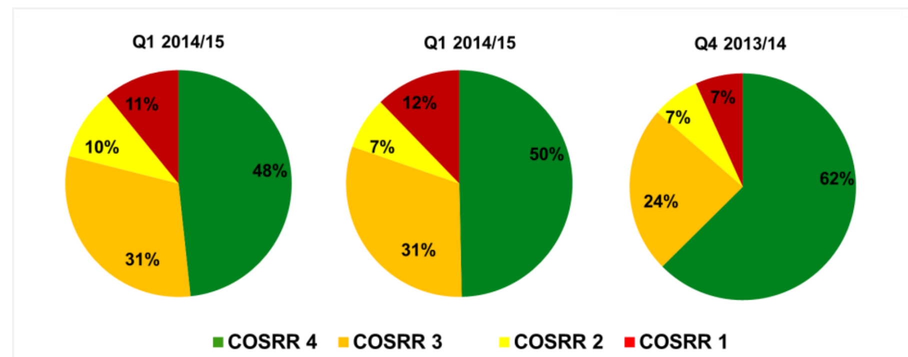
4.2 Current risks

GRR



- There are currently 28 red rated trusts at Q1 2014/15, a slight reduction from 29 in the previous quarter. All of these red rated trusts are subject to enforcement actions.
- Acute trusts form the majority of red rated trusts (21 out of 27) including 3 teaching, 1 large, 11 medium and 6 small trusts. No ambulance trust is currently red rated.
- Midlands and East region has the highest number of red rated trusts (12).
- 21 trusts have triggered RAF governance concerns this quarter but were given a green rating. Monitor's Regional Directors have reviewed each case and decided not to open investigations at this stage, as trusts have either provided further assurance to improve their performance and are subject to varying degrees of informal monitoring and scrutiny.
- The rating for five trusts are currently "under review". Of which, four trusts (*Kings, Calderdale, Gloucestershire Hospitals, Taunton and Somerset*) have triggered a RAF governance concerns this quarter and are awaiting a decision as to whether they need to be investigated further.

COSRR



- At Q1 2014/15, 31 trusts including 29 acute trusts are assigned a continuity of services (COS) risk rating of 1 or 2. Most of these trusts are small or medium in size. Whereas, 100% of ambulance foundation trusts and 76% of mental health trusts continue to have a COSRR of 4 at 30 Jun 2014.
- Conversely, 11 trusts have deteriorated from a COSRR of 3 or 4 in the previous quarter to a COSRR of 1 or 2 in this quarter, including 9 acute, 1 specialist and 1 mental health trust. Of these 11 trusts, one (*Burton*) is currently in special measures, three (*RNHRD, Rotherham and Southend*) are subject to enforcement actions, and two (*Calderdale and Wirral*) are being considered for investigation.
- In addition, 10 trusts have been asked to submit a reforecast for the remainder of the year due to in-year changes to the trust's financial circumstances which have resulted in a concern for the sustainability of services provided.
- The deterioration of COSRR is a reflection of existing and emerging performance issues. However, the ratings reflect the fact that there is no short term risk to the continuity of patient care. Many foundation trusts reporting deficits at Q1 have sufficient cash and other reserves to help them ensure both financial and service sustainability.

4.3 Foundation trusts under review

- Under *RAF*, there are five triggers for concerns which could lead to a trust being formally investigated or being considered for investigation (see overview table below).

investigation

- Currently, there are six open investigations, including three launched in July 2014 and one in September 2014.
- An investigation has been closed at *Lancaster Teaching.* The investigation was originally launched due to concerns raised in relation to the trust's performance against 18-week RTT target for admitted patients and C. Difficile infection.
- Two trusts (*Barnsley* and *South Tees*) are now subject to enforcement actions following investigations into their financial performance and breaches of key national healthcare targets.

Consideration for investigation

- Further evidence is being gathered in relation to five trusts to determine whether a formal investigation should be opened into a potential breach of the conditions of their provider licence.

Overview of FTs under review

Risk Assessment Framework trigger	Considering investigation	Open investigation	Total
CQC information	1	2	3
Access and outcomes metrics	3	1	4
Third party reports	-	1	1
Quality governance indicators	-	-	-
Financial risk	1	1	2
Multiple factors	-	1	1
Total	**5**	**6**	**11**

Trusts under investigation

Trust	Main concerns being investigated	Date the investigating opened
Central & North West London	CQC warning notice regarding care quality	Apr 2014
West Suffolk	Deterioration in its financial performance	May 2014
Dudley	Multiple breaches of A&E target and reviews of their 2014/15 and 2015/16 financial plan	Jul 2014
Liverpool Women	CQC warning notice regarding staffing levels	Jul 2014
South London & Maudsley	Third party report regarding how the board is organised and run	Jul 2014
York Hospital	Breach of A&E waiting time target	Sep 2014

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4.4 Enforcement actions & special measures

- There are 28 trusts that are currently subject to enforcement actions, a slight reduction from 29 in the previous quarter. The reduction was a result of four trusts having their enforcement actions lifted after addressing the issues identified, while three trusts have had enforcement actions applied. Regulatory undertakings at 18 of these red-rated trusts are due to financial concerns.
- Of those 28 trusts, five trusts are expected to return to compliance with their licence within six months, and nine of them have been put into special measures for failing to provide good and safe care to patients.
  - *Basildon and Thurrock* and *Northern Lincolnshire & Goole (NLAG)* have been removed from special measures in June and July 2014 respectively after improving its services for patients. However, both trusts are still subject to enforcement actions, *Basildon and Thurrock* due to breach of A&E and waiting time targets, while NLAG due to issues identified through Keogh Review.
  - *Morecambe Bay* was put into special measures in July 2014 after Care Quality Commission (CQC) raised significant concerns in relation to its patient care following an inspection by Chief Inspector of Hospital. The trust is also subject to enforcement actions.
  - *East Kent* was put into special measure in September 2014 as a result of serious failures in patient safety and leadership. CQC has identified a number of issues in A&E, surgery and services for young people. An Improvement Director has now been appointed to support the trust and hold the trust to account for progress.

Enforcement actions

28 trusts are subject to enforcement throughout Q1 2014/15	
Bolton	Morecambe Bay *
Burton *	North Lincolnshire & Goole *
Colchester *	Northern Lincolnshire & Goole
Calderstones	Peterborough & Stamford
Cumbria Partnership	RNHRD
Derby	Sherwood Forest *
East Kent *	Southend
Heatherwood & Wrexham Park *	Southern Health
Heart of England	Stockport
Kettering	Tameside *
King's Lynn*	The Christie
Medway *	Rotherham
Mid Staffs	South Manchester
Milton Keynes	

** Foundation trusts are in special measures*

Enforcement action lifted at 4 trusts during or since Q1 2014/15

Trust	Original ground for enforcement action	Start date	End date
Aintree	Breach of C Diff Target	Oct 2013	Aug 2014
Basildon	CQC report	Nov 2009	Aug 2014
Cambridge	Target breach	Apr 2013	Jul 2014
Dorset Healthcare	CQC warning notice	Sep 2013	Jun 2014

Enforcement action applied to 3 trusts during or since Q1 2014/15

Trust	Ground for enforcement action	Start date
Barnsley	Financial performance and target breach	Jun 2014
South Tees	Financial performance and target breach	Jul 2014
East Kent	CQC reporting raising concerns of patient safety and leadership	Sep 2014

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4.5 Other regulatory action

CQC warning notices

- During Q1 2014/15, seven warning notices were issued against 4 trusts.

Issue date	Original ground for enforcement action	Reason	Status
April 2014	Southern Health	1 warning notice issued. Concerns relating to the safety and suitability of premises.	Remains in place
April 2014	North East Ambulance	1 warning notice issues. Concerns regarding requirements relating to workers	Remains in place
May 2014	Surrey and Borders Partnership	3 warning notices issued. Concerns regarding staffing, respecting and involving service users and care and welfare of services users.	Remains in place
Jun 2014	Liverpool Women	2 warning notices issued. Concerns relating to staffing and assess and monitoring the quality of service provision	Remains in place

Special administration

- Following the Secretary of State's approval, we have now begun the process of transferring the management and some services from *Mid Staffordshire* to *University Hospital North Staffordshire NHS Trust* and *Royal Wolverhampton NHS Trust,* prior to the dissolution of the trust later this year.

Contingency planning and other regulatory work

- Our Enforcement Team has been helping *Peterborough and Stamford Hospitals* to restore its financial sustainability since Feb 2013. Monitor commissioned a Contingency Planning Team in 2013 to develop a sustainable solution for the Trust, which resulted in a plan for the Trust to drive CIPs and to undertake a tender process to evaluate options to find a partner to maximise the use of the PFI hospital. A decision was taken in August 2014 to temporarily pause the tender process till 31 March 2015, to enable CCGs to develop a sustainable system wide commissioning plan. Monitor will continue to hold the trust to account for the delivery of savings during this period and expects the trust to be in a position to go to tender following the pause.
- A Contingency Planning Team has been appointed in September 2014 to develop plans to secure the future services for patients at *King's Lynn*. The team will be start working at the end of September 2014 to establish options for sustainable patient service within the local health economy.
- Review of the current health service provisions at *Milton Keynes* and *Bedfordshire* has now been completed, findings and options for how services can be reconfigured to ensure suitability of local hospitals and to improve patient care will be published at the end of September 2014. We will be working with national partners to discuss the proposals arising from the work in due course before options are being consulted locally.
- The process of appointing a Contingency Planning Team at *Tameside* has begun in Sep 2014 with an aim to develop a financially and clinically sustainable solution for the Trust.

5.0 Appendix

5.1 Balance sheet

As at 30 June	Q1 2014/15		Variance to plan		Q1 2013/14
	Actual £	Plan £	£m	%	Actual £
Property, Plant & equipment	**19,851**	**20,177**	(326)	-2%	**18,651**
PFI assets	3,874	3,793	81	2%	3,686
Other non-current assets	688	664	24	4%	531
Total non-current assets	**24,413**	**24,634**	**(221)**	**-1%**	**22,868**
Inventories	498	482	17	3%	472
Trade & other receivables	1,704	1,524	181	12%	1,356
Accrued revenue	589	427	162	38%	549
Prepayments	441	359	83	23%	398
Cash & Equivalents	4,017	3,970	47	1%	4,126
Other current assets	148	110	37	34%	160
Total current assets	**7,398**	**6,872**	**526**	**8%**	**7,062**
Borrowings	(121)	(127)	6	-5%	(102)
Trade & other payables	(2,088)	(2,009)	(79)	4%	(1,967)
Accruals	(1,733)	(1,463)	(270)	18%	(1,567)
Deferred income	(612)	(504)	(109)	22%	(560)
Provisions	(351)	(253)	(98)	39%	(312)
Other current liabilities	(859)	(893)	34	-4%	(763)
Total current liabilities	**(5,763)**	**(5,248)**	**(515)**	**10%**	**(5,270)**
Net current assets	**1,635**	**1,623**	**12**	**1%**	**1,792**
Borrowings	(1,713)	(1,767)	54	-3%	(1,157)
Deferred income	(163)	(154)	(9)	6%	(155)
Provisions	(282)	(245)	(37)	15%	(257)
Leases PFI	(4,189)	(4,028)	(161)	4%	(4,265)
Other non-current liabilities	(179)	(354)	175	-50%	(188)
Total non-current liabilities	**(6,526)**	**(6,548)**	**22**	**0%**	**(6,021)**
Total funds employed	**19,522**	**19,709**	**(187)**	**-1%**	**18,639**
Retained earnings	1,143	1,321	(178)	-13%	1,391
Public Dividend Capital	13,562	13,579	(17)	0%	12,827
Revaluation reserve	4,721	4,793	(71)	-1%	4,310
Other reserves	95	17	78	464%	111
Total taxpayers' equity	**19,522**	**19,709**	**(187)**	**-1%**	**18,639**

- The value of non-current assets has increased by £94m since 31 March 2014, this is explained by £408m of new capital expenditure on an accruals basis, (£305m) of depreciation and impairments, £10m of disposals and £1.8m of donated PPE.
- Trade receivables are £181m higher than planned, and receivable days (the time it takes to collect debts) have decreased to 14.6 days against 15.9 days as at 31 March 2014, but not to the 13.1 days as per plan.
- Trade payable days have decreased to 56.3 days from 65.1 days at 31 March 2014, but still higher than the planned 54.3 days.
- Cash and cash equivalents for the sector has fallen by £208m so far this year, but while this is £47m less than planned it still reflects an overall erosion in the financial resilience of the sector. Significant contributors to this are the net reduction in capital creditors of £109m, an increase in deferred income of £148m, an increase in prepayments of £134m and an increase in accruals of £169m (all since the start of the year).
- However, foundation trusts still retain £4bn of cash which will allow many foundation trusts with deficits time to turnaround their finances, if they can develop credible plans to respond to underperformance.

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5.2 Cash flow

Year to date	Q1 2014/15		Variance to plan		Q1 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Net Surplus	(170)	(89)	(81)	90%	15
non operating & non cash items	517	535	(18)	-3%	506
working capital movements	(81)	(136)	55	-40%	(434)
Net cash inflow/(outflow) from operating activities	**266**	**310**	**(44)**	**-14%**	**86**
Capital Expenditure	(517)	(609)	92	-15%	(460)
Other investing activities	1	18	(17)	-94%	8
Net cash inflow/(outflow) from investing activities	**(516)**	**(592)**	**75**	**-13%**	**(452)**
PDC capital movements	81	103	(22)	-21%	24
PDC dividend payments	(0)	(0)	0	-	(0)
PFI interest & capital payments	(105)	(103)	(3)	3%	(103)
Finance lease interest & capital payments	(8)	(12)	4	-31%	(9)
Loans drawn / (repaid), net	89	140	(51)	-36%	59
Other financing activities	(14)	(10)	(4)	42%	(7)
Net cash inflow/(outflow) from financing	**42**	**118**	**(76)**	**-64%**	**(37)**
Net cash inflow/(outflow)	**(208)**	**(164)**	**(44)**	**27%**	**(403)**
Opening Cash & Equivalents	4,225	4,133	92		4,513
Cash & Equivalents in new FTs at authorisation	0	0	-	-	7
Closing Cash & Equivalents	**4,017**	**3,970**	**47**	**1.2%**	**4,118**

- The cash position at the end of the quarter is very close to plan.
- Cash generated from operations was significantly reduced by the actual deficit being greater than plan, but this was partly compensated for by favourable working capital movements; especially by reduced accrued income & prepayments and increased trade creditors
- In Q1 the net drawdown of borrowings was £51m less than planned and the drawdown of PDC was £22m less than planned, balancing the Capex underspend.

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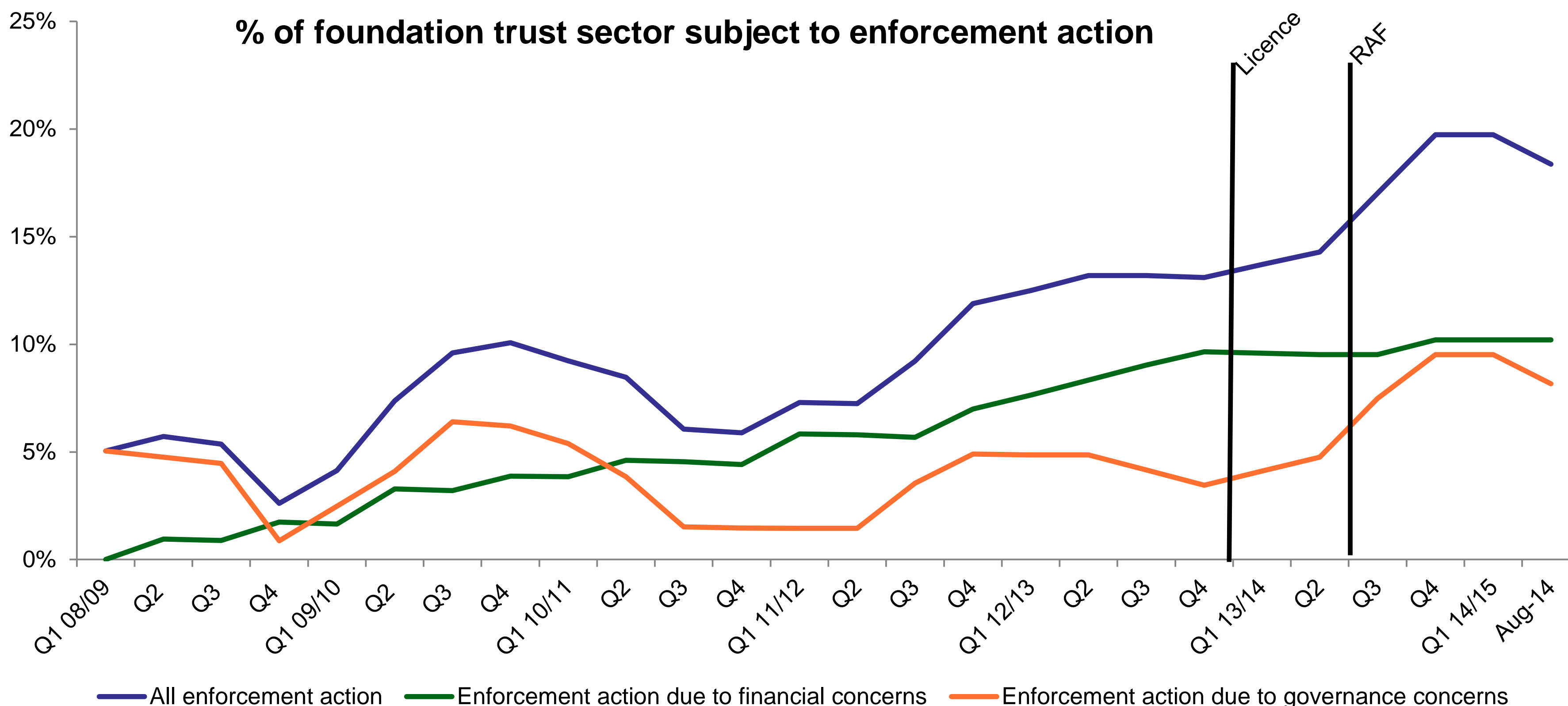
5.3 History of enforcement action



- The number of foundation trusts subject to enforcement action has risen over the last few years due to a gradual increase in trusts found in breach of their terms of authorisation / conditions of the provider licence due to financial issues and increasingly governance concerns since Q2 2013/14.
- Trusts subject to formal enforcement action due to governance issues in 2013/14 are primarily due to quality problems identified by the CQC and trusts' failure to address target performance issues.

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6.0 Glossary

6.1 End notes

1	All financial information in this report is year to date and based upon unaudited quarter 1 monitoring returns from the 147 NHS foundation trusts at 30 June 2014. For foundation trusts authorised during the year, we only include financial data from the date of authorisation. No new foundation trusts have been authorised this year.
2	Throughout this report references to surpluses or deficits are before impairments, and gains or losses on transfers by absorption.
3	EBITDA is an approximate measure of available cash flow. It does not take into account the impact of depreciation, amortisation, financing costs or taxation. This means that when taken as a margin on revenue, it can be used to compare performance between organisations that may have very different levels of capital investment and debt financing.
4	"Teaching" acute trusts are those acute trusts who are members of AUKUH (the Association of UK University Hospitals), a list is available on request or at www.aukuh.org.uk
5	100 foundation trusts report performance against the A&E target.
6	Foundation trusts are deemed to have breached a waiting time target if they fail to achieve the performance standard in any month in the quarter. 122 foundation trusts report performance against the non-admitted and incomplete pathway targets and 106 against the admitted target.
7	80 foundation trusts report performance against the breast cancer: 2 week wait target 88 foundation trusts report performance against the GP referral: 62 day wait target 97 foundation trusts report performance against the all cancers: 2 week wait target and the consultant referral: 62 day wait target
8	For consistency with NHS trust reporting, we deduct restructuring costs in calculating net surplus/deficit.
9	Gains/losses relating to the transfer of assets/liabilities from abolished NHS bodies to foundation trusts on 1 April 2013 have been taken directly to reserves, as required under an HMT dispensation to current accounting rules. All other transfers of assets/liabilities from other NHS bodies to foundation trusts are recorded as a gain/ loss on transfer within the current year surplus/deficit.
10	From 1 April 2013 Terms of Authorisation were replaced by the Provider Licence and, from 1 October 2013, the *Risk Assessment Framework* (RAF) replaced the *Compliance Framework*.

6.2 Glossary

A&E	**Accident and Emergency** departments offer a 24 hour, 7 day a week service to assess and treat patients with serious injuries or illnesses.
A&E standard	This is the objective that any patient attending an A&E department is seen and transferred, admitted or discharged within 4 hours of arrival. The objective performance against this target is 95% of patients. If a trust falls below this performance level, it is deemed to have breached the target.
Admitted patient	A patient who is formally admitted to a hospital for treatment. This includes admission that is not overnight, i.e. day cases.
Cancer waiting time targets	This refers to a series of objective waiting times for patients referred for cancer diagnosis and treatment. Each target has a different objective performance. The waiting times for cancer patients are much stricter than the RTT targets, but the RTT targets include cancer patients.
Case mix	This refers to the complexity or combination of illnesses (morbidity) presented by patients. Typically variances in numbers of patients and case mix of patients combine to affect the workload of doctors.
CCG	Clinical Commissioning Group
CIP	**Cost Improvement Programme** This is usually a 5 year planned cost reduction programme to improve the productivity and streamline operational structures to provide efficient, effective services.
CoSRR	**Continuity of Service Risk Rating**. This replaced the Financial Risk Rating (FRR) from 1 October 2013. CoSRR primarily focuses on the level of liquidity and capital service capacity. There are four scores, where 1 represents the most serious risk and 4 the least risk. Unlike the FRR, a low Continuity of Service Risk Rating does not necessarily indicate a breach of the provider licence. It rather reflects our degree of concern about a provider's finances and will help determine the frequency with which we monitor the trust.
CPT	**Contingency Planning Team** is a team appointed by Monitor to develop options for securing sustainable patient services at a financially troubled foundation trust.
CQC	**Care Quality Commission** (CQC), is the independent regulator of health and adult social care services in England that ensure care provided by hospitals, dentists, ambulances, care homes and home-care agencies meets government standards of quality and safety.
CQUIN	**Commissioning for Quality and Innovation** is a system introduced in 2009 to make a proportion (2.5% in 12/13) of healthcare providers' income conditional on demonstrating improvements in quality and innovation in specified areas of care. This means that a proportion of each foundation trusts income depends on achieving quality improvement and innovation goals, agreed between the foundation trust and its commissioners.
Day case	A patient who is admitted and treated without staying overnight, e.g. for day surgery.
DH	**Department of Health,** the government department responsible for the NHS.
EBITDA	**Earnings before interest, tax, depreciation and amortisation**. This is an approximate measure of available cash flow. It does not take into account the impact of depreciation, amortisation, financing costs or taxation. This means it can be used to compare performance between organisations that may have very different levels of capital investment and debt financing.
Elective patient	Elective surgery or procedure is scheduled in advance because it does not involve a medical emergency.
Enforcement actions	The Health & Social Care Act 2012 requires that Monitor issue licences for providers of NHS services and investigate potential breaches of the licence. Monitor can impose a range of **enforcement actions** ranging from obliging providers to take steps to restore compliance, obliging them to pay a financial penalty, etc. In exceptional circumstances, Monitor will consider revoking a licence.

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6.3 Glossary

Exceptional items	Income or costs that are one-off in nature and do not therefore reflect underlying financial performance, i.e. asset impairments and gains/ losses on asset transfers.
Francis	The Francis Inquiry examined the causes of the failings in care at Mid Staffordshire NHS Foundation Trust between 2005-2009 and a final report was published on 6 February 2013 making 290 recommendations including openness, transparency and candour throughout the healthcare system (including a statutory duty of candour), fundamental standards for healthcare providers, improved support for compassionate caring and committed care and stronger healthcare leadership. The government has responded (19 November 2013) to the recommendations of the Francis Inquiry in "Hard Truths: the journey to putting patients first". It includes recommendations for improving patient involvement in their care, increased transparency, changes to regulation and inspection.
FRR	Financial Risk Rating. This was the measure of financial risk used by Monitor as a regulatory tool up until 30 September 2013, at which point it was replaced by the COS risk rating – see 6.2.
GRR	Governance Risk Rating. This is a measure of the risk of governance failure at a foundation trust. The methodology for assessing the GRR of a trust is explained in Monitor's Risk Assessment Framework.
High cost drugs	High cost drugs are typically expensive drugs used for specialist treatments e.g. cancer, that are excluded from the Payment by Results (PbR) tariff as would not be fairly reimbursed if they were funded through the tariff. Commissioners and providers agree appropriate local prices.
HMT	**Her Majesty's Treasury**, a government department that fulfils the function of a ministry of finance.
Keogh	Following the Francis Inquiry, the medical director of NHS England Sir Bruch Keogh led a review into the quality of care and treatment provided by 14 hospital trusts in England. His subsequent report identified some common challenges facing the wider NHS and set out a number of ambitions for improvement, which seek to tackle some of the underlying causes of poor care. The report signalled the importance of monitoring mortality statistics to highlight any underlying issues around patient care and safety. Using the data to identify trusts who are performing positively will also be helpful in establishing and sharing effective practice across the NHS. The report is available at this link: http://www.nhs.uk/NHSEngland/bruce-keogh-review/Documents/outcomes/keogh-review-final-report.pdf
Non-admitted patient	A patient on a pathway that does or did not include treatment without admission to a hospital, also known as an outpatient
Non-elective patient	A patient who is admitted for treatment on an unplanned or emergency basis. Such patients are not relevant to referral to treatment (waiting time targets).
Pathways	A **Pathway** describes the journey of a patient through an outpatient appointment, diagnostic tests, further outpatient appointments to a potential inpatient appointment (e.g., for surgery).
PDC dividends	Public dividend capital represents the Department of Health's equity interest in defined public assets across the NHS including authorised NHS foundation trusts. The department is required to make a return on its net assets, which takes the form of a public dividend capital dividends.
PFI	**Private Finance Initiative** is a procurement method which uses private sector capacity and public resources in order to deliver public sector infrastructure and/or services according to a specification defined by the public sector. Within the NHS a typical PFI contract involves a private consortium building a hospital and maintaining it to a defined specification for 20+ years for an NHS trust in return for annual payments from the NHS trust which are indexed to inflation.
PPE	**Property, plant and equipment**, the term used for fixed assets under International Financial Reporting Standards (IFRS)

6.4 Glossary

Red 1 calls	These calls are the most time-critical and cover cardiac arrest patients who are not breathing and do not have a pulse and other severe conditions such as airway obstruction
Red 2 calls	These calls are serious but less immediately time-critical and cover conditions such as stroke and fits.
Special administration	In exceptional circumstances, where a health care provider is deemed financially unsustainable, Monitor, as part of its role, appoints a special administrator to take control of the provider's affairs. The special administrator work with the commissioners to ensure that patients continue to have access to the services they need. For statutory guidance for trust special administrators appointed to NHS foundation trusts refer to: http://www.monitor-nhsft.gov.uk/sites/default/files/publications/ToPublishFinalTSAGuidanceApril2013.pdf
Special measures	A hospital trust is said to require 'special measures' on quality grounds when serious and systemic failings in relation to quality of care have been identified, and the persons responsible for leading and managing the trust are unable to resolve the problems without intensive support. An improvement plan will be published and Monitor will provide intense oversight of the trust to ensure that improvement actions are being taken. Monitor is assisted in doing this by allocating an 'Improvement Director' to the trust.
Surplus or deficits	Refers to the net financial position after operational revenue and expenses. Throughout this report references to surpluses or deficits are before any impairments and gains or losses on transfers by absorption.
Teaching hospitals	"Teaching" acute trusts are those acute trusts who are members of AUKUH (the Association of UK University Hospitals), a list is available at www.aukuh.org.uk
Waiting times	The time a patient has to wait before treatment, this is termed **RTT**(qv) in the NHS
WTE	**Whole Time Equivalent** is the adjustment to translate a number of temporary employees into the equivalent number of full time employees
RAF	From 1 October 2013 the *Risk Assessment Framework (RAF)* replaced the *Compliance Framework* as our approach to overseeing NHS foundation trusts' compliance with the governance and continuity of services requirement of their provider licence. As a result, there has been changes to how we determine risk ratings. Under the *RAF*, each FT is assessed and assigned two risk ratings, governance risk rating (GRR) and continuity of services risk rating (COSRR), to reflect our views of its governance and its on-going availability of key services.
GRR	There are three categories of governance rating: A green rating indicates that there is no material governance concerns evident. A "under review" rating is assigned where potential material causes for concerns are identified, the green rating as a result will be replaced with a description of the issue and the steps we are taking to address it. A red rating means regulation actions are taken.
COSRR	Continuity of services risk rating has four categories where 1 represents the most serious risk and 4 the least risk. However, a low COSRR does not necessarily indicate a breach of the provider licence. It rather reflects our degree of concern about a provider's finances and will help determine the frequency with which we monitor the trust.

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