Appendix 3

2018/19 Quarter 1 finances and performance

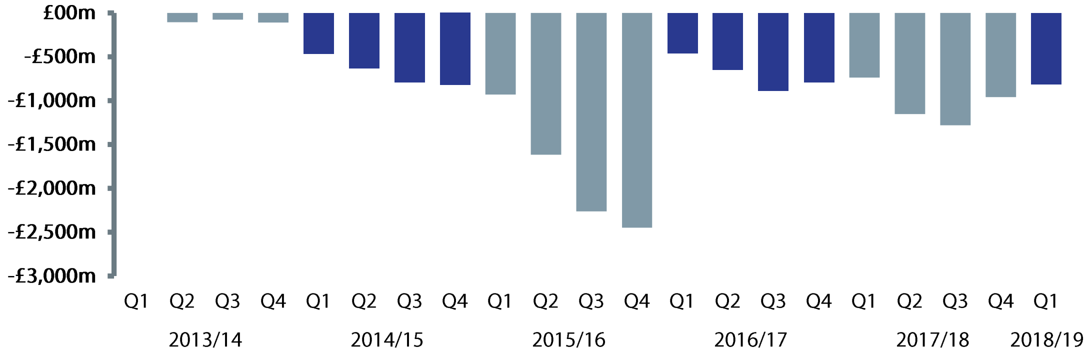
NHS Improvement (NHSI) has released the quarter one (Q1) finance and operational performance figures for the providers sector. These figures cover the period 1 April 2018 to 30 June 2018. This briefing summarises the key headlines for those figures as well as our view of what they mean.

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

Key headlines

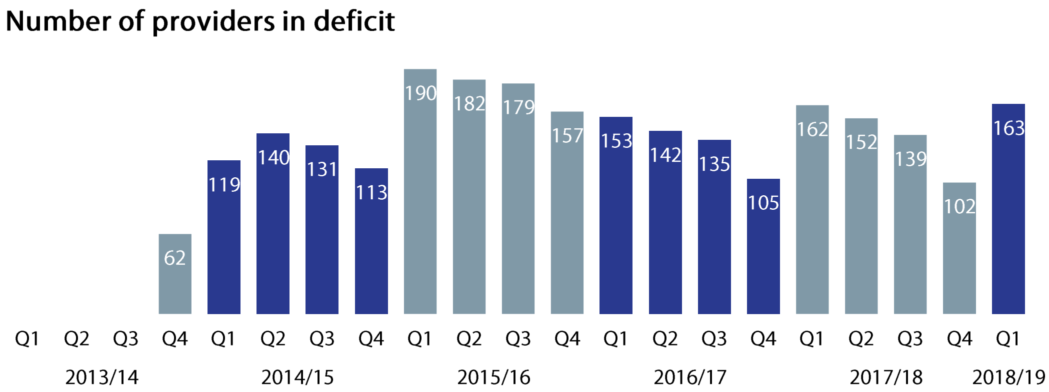
- At Q1 the provider sector is planning and forecasting to deliver a deficit of £519m, despite the requirement set out in the planning guidance for the sector to plan and deliver a balanced income and expenditure position. The sector is forecasting this deficit despite delivering almost £500m worth of efficiency savings this quarter.
- For the first time, NHSI has published the underlying provider deficit going into 2018/19, which stands at £4.3bn gross. NHSI have confirmed that the approach to tackling this deficit will be part of the NHS long term plan.
- The year to date provider sector deficit for the first three months of the year was £814m. This was £22m better than planned but £78m worse than Q1 2017/18 where the deficit was £736m. In Q1 2016/17 the provider sector reported a deficit of £461m and in Q1 2015/16 a deficit of £930m. Therefore the first three months of 2018/19 represent the sector's worst financial performance since Q1 2015/16.

YTD surplus/deficit for FT and trust sector combined

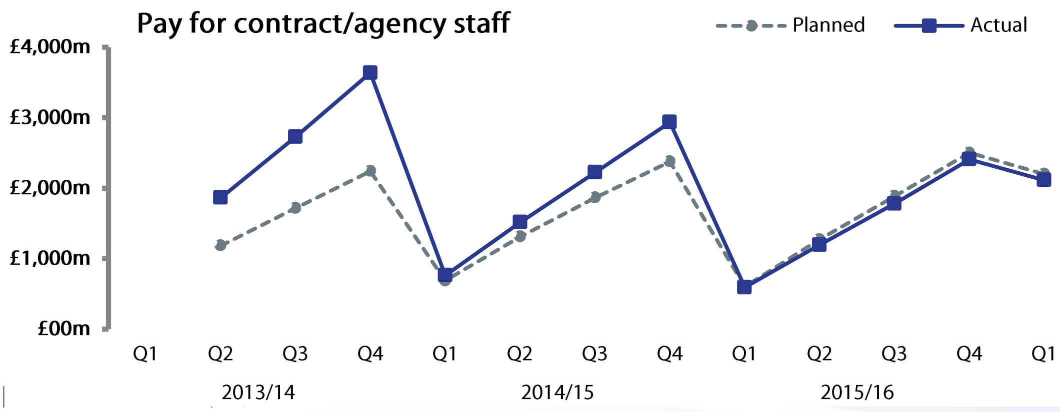


- The sector position includes £185m of uncommitted Provider Sustainability Funding (PSF), which is around £48m more than planned.

- 163 (71%) of 230 trusts are reporting a deficit at Q1, including the Provider Sustainability Fund (PSF). This is broadly in line with the 162 providers that recorded a deficit in Q1 2017/18. The deficit continues to be heavily concentrated in the acute sector, where 92% of providers are now in deficit. Last year just under two thirds (89%) of acute trusts finished 2017/18 in deficit.

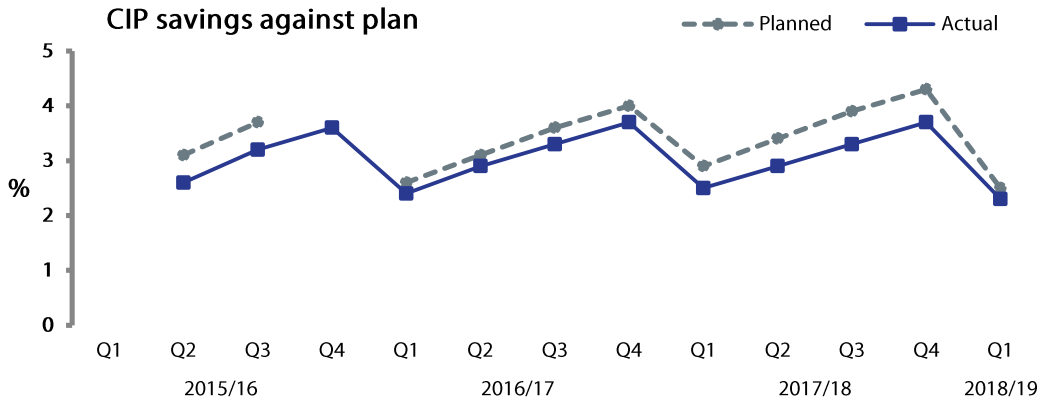


- Against year to date plans, 61 providers are reporting adverse variances, including PSF. This is mainly being driven by:
  - Demand pressures across the system. Q1 cost pressures must be seen in the context of continued and unprecedented levels of demand across the system. Compared to the same period last year, A&E admissions are up 6.2%, while overall non elective admissions are up 5.1% (largely driven by zero day admissions). In Q1 2018/19 providers treated over 170,000 more patients within four hours compared to Q1 2017/18. This demand will be creating operational pressures for providers who are struggling to contain costs and deliver savings.
  - Spend on temporary staff. Faced with increasing demand and limited workforce supply, spending on temporary staff was more than planned. Spend on bank staff was £102m more than planned and agency staff spend was £32m more than planned. High levels of vacancies, sickness/absence and staff turnover meant that in Q1 2018/19 providers spend £134m more (11%) on temporary staff compared to the same period last year.
  - Under delivery of planned efficiency savings. As providers continue to operate in difficult conditions, cost improvement plans (CIPs) were £64m or 11% behind plan at Q1. The growth in reliance on non recurrent savings continues, which represented 25% of total savings, compared to 13% in the plan.



Other key finance data at Q1

- Provider sustainability funding. 201 (87%) providers have accepted their individual control totals for 2018/19 and are eligible for PSF. This is a similar proportion compared to the same period last year. Of the 14 Integrated Care Systems (ICSs), eight have agreed to link their PSF funding to their system financial performance in 2018/19.
- Agenda for Change. The Agenda for Change pay award is not included in the year-to-date and forecast figures of the Q1 report. NHSI acknowledges that many providers will experience cost pressures over the coming year because of the government's decision not to fully fund the pay uplift. Cost pressures will be identified during the second quarter.
- Mental health investment. Provider plans include an increase of £92m on spending on mental health services. This year an audit will be carried out in line with the requirements of the mental health investment standard.
- Capital expenditure. Capital expenditure (capex) was £505m during the first three months of the year. This is £299m below plan. The plan submissions included Capital Departmental Expenditure Limit (CDEL) expenditure of £4.649bn for the full year.
- Non pay cost pressures. Due to capacity pressures, providers spent £57m more than planned on purchasing healthcare from non-NHS providers.
- Implied productivity. At Q1 implied productivity for the sector was 1.0%, slightly down on the levels delivered in 2017/18. This will change in Q2 to reflect the impact of the Agenda for Change pay award.
- CIP delivery. Total CIP delivery for the first three months of the year was £495m, representing 2.3% of total spend. Planned CIP delivery for Q1 had been £559m (2.5%), and providers are expected to deliver £3.6bn of savings by the end of the year. This compares with the £3.2bn delivered in 2017/18.



Key performance and workforce information at Q1

- Around 4.78 million patients attended A&E departments during Q1, an increase of 4.7% (like for like) on the same period last year. Trusts treated more people within four hours, however there continues to be a fundamental mismatch between demand and capacity.
- There were 1.62 million non-elective admissions across the year, 0.1% above plan but 4.5% more than the same period last year.

- The elective waiting list now stands at 3.9 million patients, but is likely to be around 4.3 million patients nationally when adding in non reporting trusts. Referral To Treatment (RTT) performance was 87.8%, down from 90.26% at Q1 2017/18.
- The number of patients waiting longer than 52 weeks has increased. At the end of Q1 2018/19 3,402 patients were waiting over a year for treatment, comparted to 1,475 patients at the same period last year.
- Only one of the six ambulance response times continues to be met. This was again for Category 1 calls, 90th percentile under 15 minutes.
- The sector managed to achieve all mental health performance standards and improved across several performance and outcome measures.
- Vacancies rates have increased by around 9,000 whole time equivalents (WTE), driven in part by providers attempting to meet increasing levels of demand and high leaver rates during Q1. The total number of WTE vacancies now stands at 108,000. The London region and the mental health sector in particular are struggling to fill posts.

Next steps

The Q1 figures reveal the worrying situation providers face as they head into the winter months. Despite huge efforts, providers are struggling to meet ever increasing demand, in part because of growing workforce shortages, which is putting significant pressure on NHS finances.

On Friday NHS Improvement, NHS England and the government made a series of announcements related to winter planning in the NHS. The Q1 report reiterates the actions currently being undertaken at national and local level:

- Seven day, 24-hour winter operating function, to support regional and local teams to manage response to demand surges.
- Support and guidance on reducing length of stay, including the repurposing of the Emergency Care Improvement Support Team (ECIST).
- Continued expansion of access to GP services.

Press release

Responding to the publication of the Q1 financial and performance figures for the NHS provider sector, the chief executive of NHS Providers, Chris Hopson, said:

"NHS trusts are doing all they can to respond to a triple challenge of rapidly increasing demand, growing workforce shortages and continuing pressure on NHS finances.

"Trusts and their staff are working incredibly hard, as shown by the fact that they have treated more A & E patients within the four-hour standard than ever before.

"But however hard they run, they don't seem able to outpace the increase in demand.

“Trusts tell us they are most worried about the workforce shortages they face, and it’s a real concern that these figures have shown such a big increase in vacancy levels. It’s worrying that this problem is getting worse rather than better.

“We have argued for some time that the underlying deficit in the trust sector is over £4 billion, and it’s good that we now have the facts on full, open and honest display.

“This will enable us to have the debate that we need on how the underlying deficit should be addressed as part of the forthcoming NHS long term plan.

“ The figures also show that our current approach is simply no longer sustainable. The long term plan will also need to set out how we transform the NHS at pace to move to a more sustainable model of providing care.

“In short, trusts are doing absolutely everything they can to provide the best possible patient care but it’s an extremely challenging environment – and that applies to the rest of the NHS and social care frontline too”.

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