The King's Fund

Ideas that change health care

HEADLINES

How is the NHS performing?

Quarterly monitoring report

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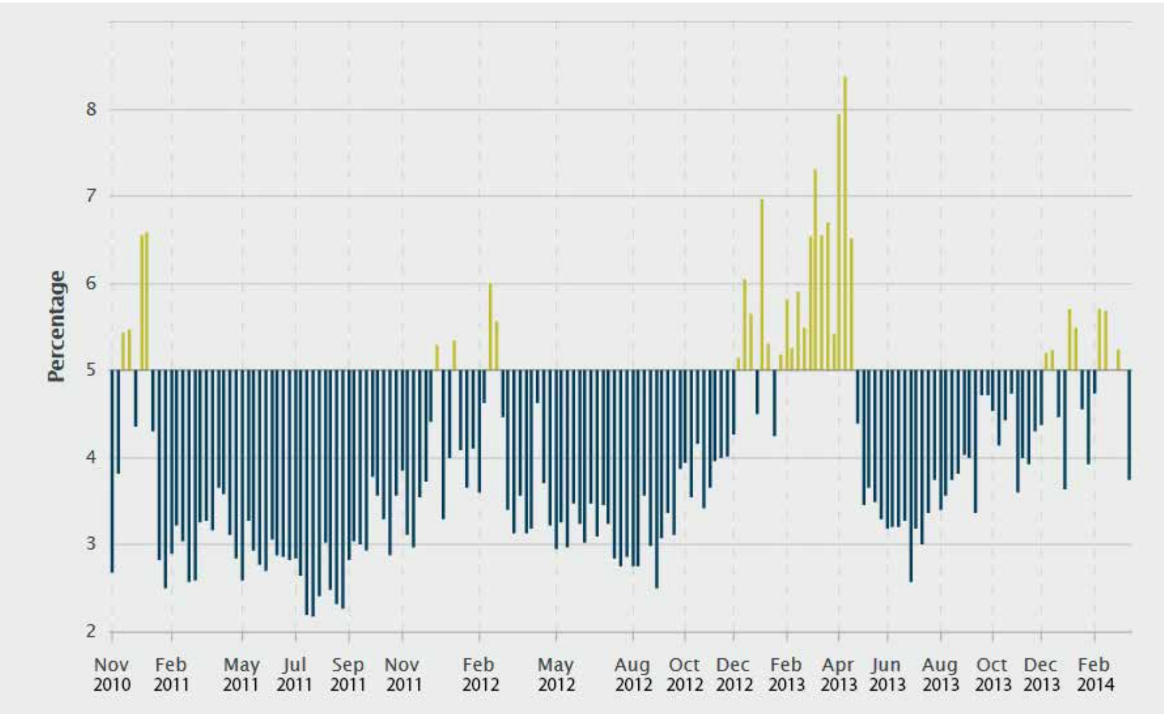
The 2013/14 financial year (that has just ended) is the fourth year of a difficult financial period for the NHS. While afforded a degree of relative protection in previous spending rounds, after taking account of various transfers to local authorities the NHS in England has effectively had no real rise in spending between 2010/11 and 2013/14.

Despite the challenge this has created, on key performance measures and based on our latest survey of finance directors, in broad terms the NHS has continued to provide services to a growing population and to maintain the quality of those services.

However, there is deepening pessimism about the ability of the NHS to make ends meet financially, particularly in 2015/16.

A&E weekly performance against target that no more than 5 per cent of patients to wait longer than four hours from arrival to admission, transfer or discharge



Helped in part by a relatively mild (if wet) winter, the NHS did not repeat the significant breaches of the A&E four-hour target that happened last year (*see* figure on previous page). However, over the past year there have been some signs of pressure building on the elective side, with the number of people on hospital waiting lists nearing three million – the highest for six years – and indications that workload is not keeping pace with the growth in lists.

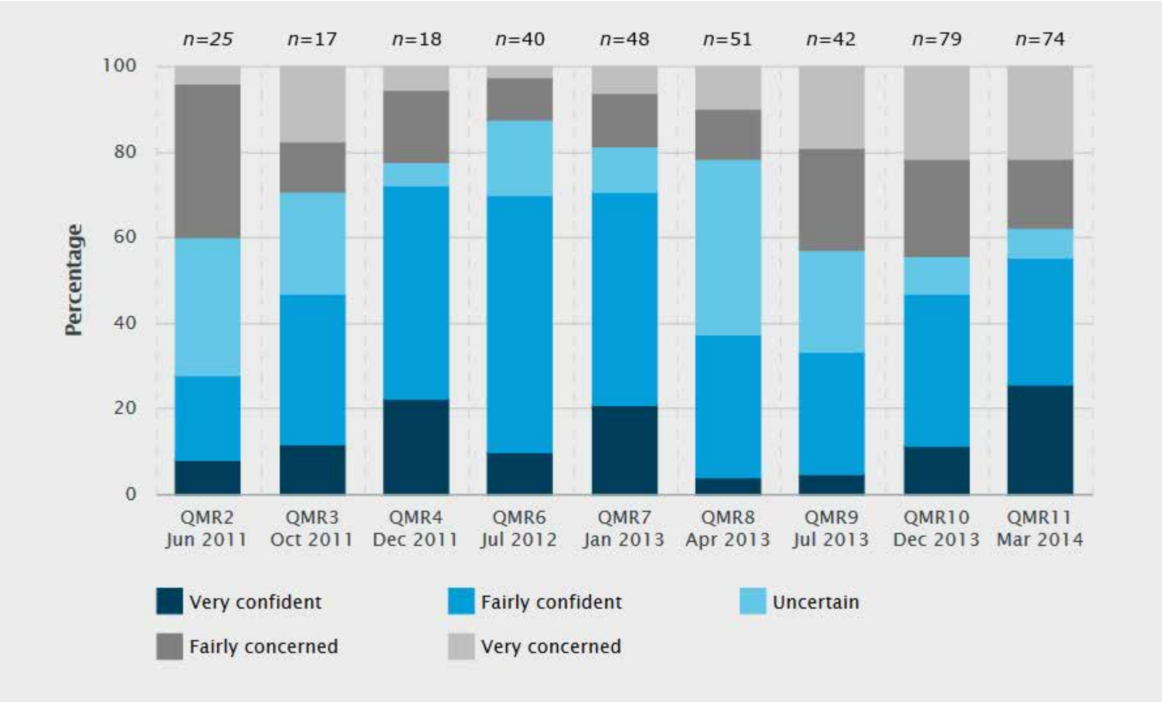
On the finance side, the number of trusts and CCGs forecasting a deficit for the end of 2013/14 has fallen since the last survey in December, with one in eight CCGs and trusts predicting an overspend. To an extent this is to be expected as trusts forecasting deficits take action towards the end of the year to cut spending or rectify their deficit position through other means. For example, around 10 per cent of trusts reporting a surplus or breakeven position also note that this is as a consequence of actions such as additional financial support in one form or another, one-off activities such as asset sales and, for some, smaller surpluses than they had planned at the beginning of the year.

The slight improvement at the end of the year is reflected in, for example, a reduction reported by the NHS Trust Development Authority in the number of non-foundation trusts forecasting a deficit from 33 in November to 26 in January (NHS Trust Development Authority 2014, 2013). However, the gross deficit reported in March remained similar to the level in January at around £460 million, with the net deficit across all non-foundation trusts falling only marginally from around £250 million to £247 million.

And for foundation trusts, Monitor reported in January that 39 were in deficit (15 more than planned) with deficits running at £180 million (£12 million more than planned). Significantly, the size of the surplus across all foundation trusts had halved compared to the same time last year. As Monitor notes, this reflected foundation trusts' response to the '…tough financial climate' (Monitor 2014).

Trusts' financial situation depends on achieving savings through their cost improvement programmes (CIPs). As in previous quarters, trusts are aiming to make savings of around 4.8 per cent of turnover for 2013/14. There is a variation in how confident finance directors feel about achieving plans. Compared with previous surveys, the proportion who are very or fairly concerned about their cost improvement programme plans now stands at just under 40 per cent – having improved slightly towards the end of the financial year as with forecasts of the overall financial position (*see* figure below).

How confident are you of achieving your CIP target?



Note: QMR1 and QMR5 excluded as wording of responses not compatible with other quarters' data.

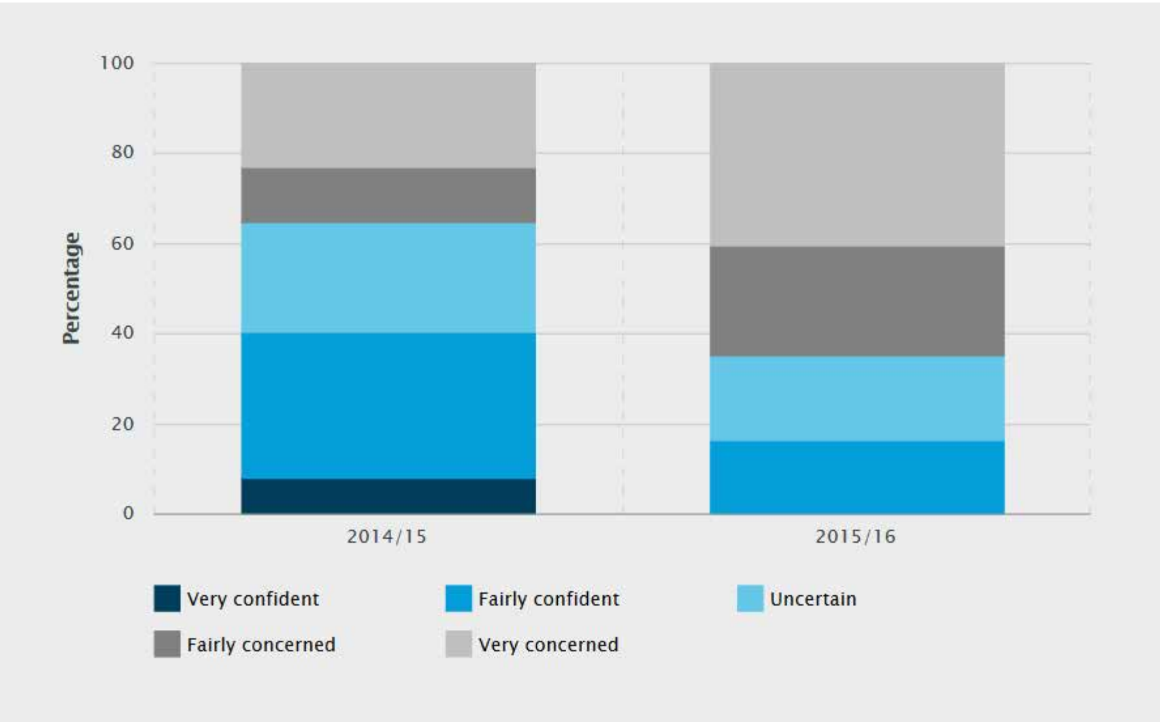
However, at an aggregate level, pessimism about quality, improvement, productivity and prevention (QIPP) programmes has deepened with more than 80 per cent of finance directors now thinking there is a high or very high risk of the NHS overall failing to achieve its £20 billion productivity target by the end of 2014/15.

Part of the pressure on savings programmes and finances more generally appears to be local decisions to increase staffing – particularly nurses – as a result of recommendations of Robert Francis's report on Mid Staffordshire NHS Foundation Trust and against a general background of concern about service quality and patient safety raised in other reviews.

The outlook for 2014/15 and 2015/16

Looking forward, this quarter's survey found NHS trust finance directors and CCG finance leads pessimistic about 2014/15 – and particularly so for 2015/16. Asked how they felt about the financial state of their local health and care economy over the next 12 months, 83 per cent of trust finance directors and 72 per cent of CCG finance leads were fairly or very pessimistic.

Looking ahead, how confident are you that your trust (74 responses) will achieve financial balance in 2014/15 and 2015/16



Around one-third of trust finance directors were concerned about balancing the books by the end of 2014/15, with two-thirds concerned about 2015/16, and a further 20 per cent being uncertain. CCG finance leads also expressed a growing concern about their possible financial position into 2015/16.

Looking ahead, how confident are you that your CCG (47 responses) will achieve financial balance in 2014/15 and 2015/16

Apart from the financial exigencies of a fifth and a sixth year of little or no real funding increases, a key concern for trust finance directors in particular is the implications of the Better Care Fund in 2015/16. While the NHS has provided local authorities with just under £1 billion from its budget each year from 2010/11, in 2015/16 this will total £3.8 billion, most of which will come from existing budgets – a significant increase and one that will have an opportunity cost for the NHS. NHS England has suggested that this cost could translate into a 15 per cent cut in emergency admissions. However, none of the trust finance directors we polled from organisations that carried out emergency work (42 out of 74) thought such a cut was likely in 2015/16.

The question remains how the NHS will deal with a continued freeze on overall funding, compounded by the reallocation in funding implied by the Better Care Fund, a growing concern about the ability of trusts to extract savings, and productivity improvements.

For more detailed results of the surveys and the performance dashboard results go to www.kingsfund.org.uk/qmr

References

Monitor (2014). *NHS foundation trusts: review of nine months to 30 December 2013*. London: Monitor. Available at: www.monitor.gov.uk/performance (accessed on 27 March 2014).

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