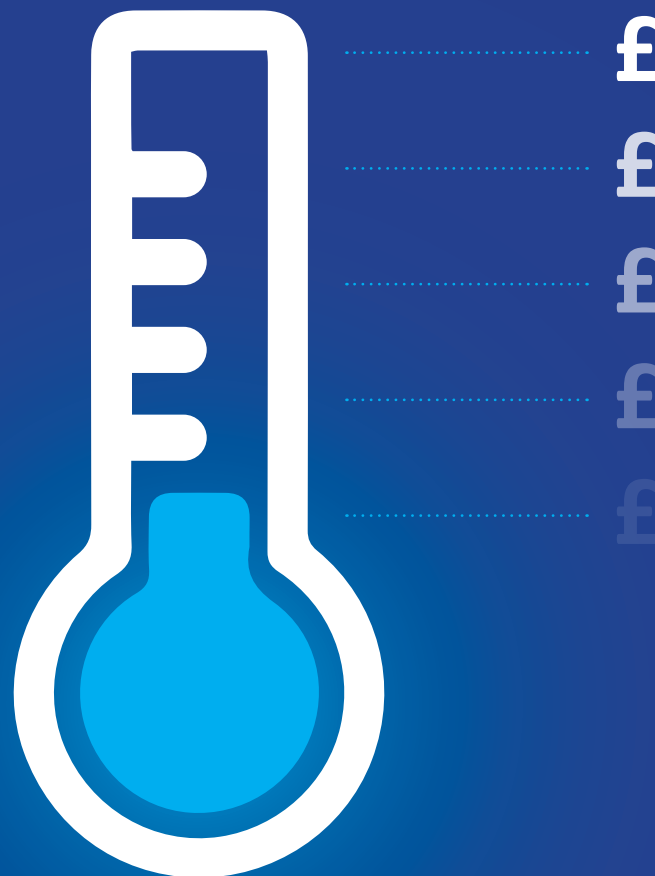


# NHS FINANCIAL TEMPERATURE CHECK

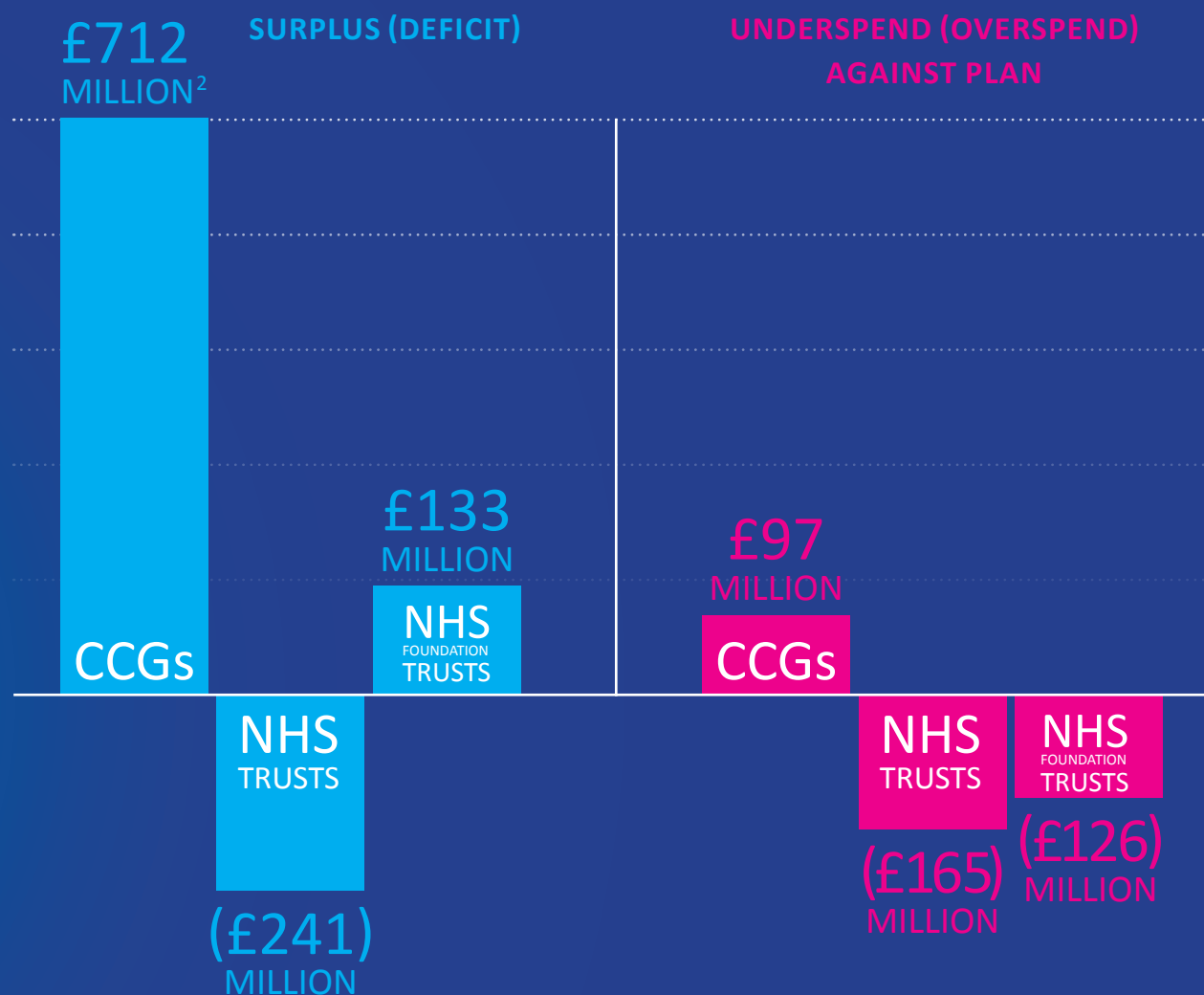
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JUNE 2014



Finance directors' views on the financial challenges facing the NHS

At the end of the 2013/14 financial year local NHS organisations reported an overall surplus of £604 million, which was £194 million below plan.<sup>1</sup>



<sup>1</sup> CCG and FT figures based on draft, unaudited figures

<sup>2</sup> This figure of £712m is comprised of a £97m underspend in 2013/14 and money brought forward that was formerly associated with primary care trusts.

The number of organisations overspending or reporting a deficit has increased since the 2012/13 financial year and more organisations reported a deficit than planned to at the start of the 2013/14 financial year. The financial pressures were more visible in the year-end performance of provider trusts.

| ORGANISATION TYPE | PLANNED TO MAKE A DEFICIT IN 2013/14 | ACTUAL PERCENTAGE REPORTING A DEFICIT IN 2013/14 | ACTUAL PERCENTAGE REPORTING A DEFICIT IN 2012/13 |
|-------------------|--------------------------------------|--|--|
| CCGs              | 4%                                   | 9%   | n/a  |
| NHS TRUSTS        | 25%                                  | 25%  | 5%   |
| FTs               | 13%                                  | 27%  | 14%  |
| <b>TOTAL</b>      | <b>12%</b>                           | <b>18%</b>                                       | n/a  |

#### 2013/14 SAVINGS

| ORGANISATION TYPE | PLANNED SAVINGS, AS A PERCENTAGE OF OPERATING COSTS/ EXPENDITURE | REPORTED SAVINGS, AS A PERCENTAGE OF OPERATING COSTS/ EXPENDITURE | PERCENTAGE OF RECURRENT SAVINGS | PERCENTAGE OF NON-RECURRENT SAVINGS |
|-------------------|--|---|---------------------------------|-------------------------------------|
| CCGs              | 2.5%   | 2.3%  | 86%                             | 14%                                 |
| PROVIDER TRUSTS   | 4.8%   | 4.5%  | 83%                             | 17%                                 |

*Finance directors told us they had not achieved all the savings they had planned. It is becoming clear that finance directors are increasingly looking to large-scale reconfiguration of services as the source of future savings.*

Finance directors reported difficulties with the 2014/15 commissioning round. We asked CCG Chief Financial Officers (CFOs) if they had signed their contracts with providers trusts by the 28 February deadline.

BY 28 FEB



54%

HAD NOT SIGNED ANY OF THEIR CONTRACTS



6%

HAD SIGNED ALL THEIR CONTRACTS



40%

HAD SIGNED SOME CONTRACTS BUT NOT ALL OF THEM

*NHS England reported that as at 8 May 2014 the majority of contracts had been signed or agreed by CCGs.*



28%

HAD NOT BEEN SIGNED AND HAD NOT AGREED ACTIVITY AND FINANCIAL VALUE



29%

HAD REACHED AGREEMENT ABOUT ACTIVITY AND FINANCIAL VALUE



43%

OF CONTRACTS HAD BEEN SIGNED



Finance directors reported increasing pessimism about their organisation's ability to meet future financial targets for 2014/15 and beyond.



| HOW CONFIDENT ARE FINANCE DIRECTORS OF ACHIEVING THE FINANCIAL TARGETS SET OUT IN THEIR ORGANISATION'S FINANCIAL PLANS IN 2014/15 AND 2015/16? | PROVIDER TRUSTS 2014/15 | CCGs 2014/15 | PROVIDER TRUSTS 2015/16 | CCGs 2015/16 |
|--|-------------------------|--------------|-------------------------|--------------|
| TOO EARLY TO SAY   | 44%                     | 25%          | 44%                     | 51%          |
| NOT AT ALL   | 3%                      | 2%           | 13%                     | 2%           |
| NOT VERY   | 17%                     | 20%          | 31%                     | 23%          |
| QUITE  | 30%                     | 34%          | 11%                     | 18%          |
| VERY   | 6%                      | 20%          | 1%                      | 7%           |

Despite being pessimistic about the financial position of the NHS for the current and future years, finance directors are optimistic that quality will not be affected.

39%

EXPECT THE QUALITY OF SERVICES TO IMPROVE

8%

EXPECT THE QUALITY OF SERVICES TO REDUCE

**55%**  
*said that the focus on quality supported transformational change. While the majority of finance directors do not expect quality to deteriorate, the most vulnerable areas identified were access and waiting times.*

53%

EXPECT THE QUALITY OF SERVICES TO STAY THE SAME

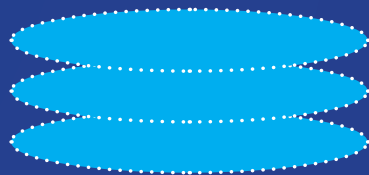


Provider trusts' top two cost pressures are the costs of increasing demand for services and the costs of increasing the numbers of nursing staff employed. Commissioners' main cost pressures are emergency care, continuing healthcare and increasing demand. Finance directors told us they plan to deal with these cost pressures by redesigning jobs to reduce the cost of staff numbers, reducing clinical variation and integrating community, mental health and acute services.



AVERAGE CCG SAVINGS TARGETS REPORTED

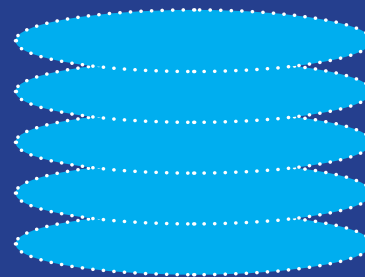
2.8%



2014/15 & 2015/16

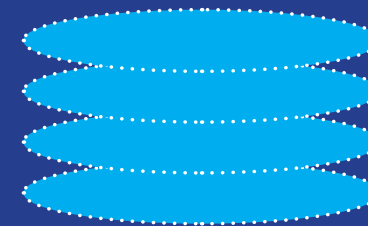
FOR PROVIDER TRUSTS IT WAS

4.8%



2014/15

4.7%



2015/16

Almost 5 out of every 6 provider trust finance directors in our sample identified their main concern about the financial position of their local health economy as the lack of system management.





# There is concern amongst finance directors about the Better Care Fund

*2% of provider trust finance directors and 11% of CCG CFOs think that the Better Care Fund will help to improve their organisation's services for patients and service users in the first year.*

*This rose to 18% and 52% respectively within 1 to 3 years and to 25% and 62% respectively after three years.*

|                     |        | YES | NO  | DON'T KNOW |
|---------------------|--------|-----|-----|------------|
| WITHIN 1 YEAR       | TRUSTS | 2%  | 76% | 22%        |
|                     | CCGs   | 11% | 78% | 11%        |
| WITHIN 1 TO 3 YEARS | TRUSTS | 18% | 43% | 39%        |
|                     | CCGs   | 52% | 26% | 22%        |
| AFTER 3 YEARS       | TRUSTS | 25% | 30% | 45%        |
|                     | CCGs   | 62% | 17% | 21%        |

*Only 4% of provider trust finance directors and 34% of CCG CFOs think that the benefits set out in the Better Care Fund plans will be achieved.*

*4% of provider trust finance directors and 13% of CCG CFOs think that the Better Care Fund will lead to cost savings for their organisations within 1 year.*

*This rose to 16% and 47% respectively within 1 to 3 years and to 26% and 57% respectively after three years.*

|                     |        | YES | NO  | DON'T KNOW |
|---------------------|--------|-----|-----|------------|
| WITHIN 1 YEAR       | TRUSTS | 4%  | 78% | 18%        |
|                     | CCGs   | 13% | 83% | 4%         |
| WITHIN 1 TO 3 YEARS | TRUSTS | 16% | 46% | 38%        |
|                     | CCGs   | 47% | 35% | 18%        |
| AFTER 3 YEARS       | TRUSTS | 26% | 38% | 36%        |
|                     | CCGs   | 57% | 24% | 19%        |

HFMA believes there are five areas that should be focused on over the coming months to ensure that NHS organisations remain clinically, financially and operationally sustainable.



FASTER PROGRESS ON LARGE TRANSFORMATION SCHEMES IS ESSENTIAL

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OPEN AND HONEST DEBATE IS NEEDED WITH THE PUBLIC AND POLITICIANS ABOUT THE FINANCIAL CHALLENGES

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THE BROAD RANGE OF SKILLS AND EXPERIENCES THAT FINANCE STAFF POSSESS SHOULD BE FULLY EXPLOITED AND USED TO BEST EFFECT

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SOLID FOUNDATIONS ARE NEEDED TO ENSURE THE BENEFITS OF THE BETTER CARE FUND ARE DELIVERED AND THE RISKS APPROPRIATELY MANAGED

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THE FOCUS SHOULD BE ON OBTAINING THE MAXIMUM VALUE FOR EVERY POUND CURRENTLY SPENT IN THE NHS