QMR 15 APRIL 2015

How is the NHS performing?

ABOUT THIS REPORT

Our Quarterly Monitoring Report examines the views of finance directors on the productivity challenge they face, as well as some key NHS performance data to see how the NHS is performing.

REPORT AUTHORS

John Appleby, James Thompson, Joni Jabbal

"If last year was the most difficult for some time, this year promises to be much worse, with little confidence that the alarming deterioration in NHS finances can be arrested."

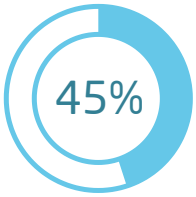
Richard Murray, Director of Policy

7 in 10

7 in 10 NHS trust finance directors are concerned about balancing their books in 2015/16.

60%

Around 60% of NHS trust finance directors said their trust relied on additional financial support or drawing down their reserves last year.



For the third consecutive quarter, nearly half of NHS trust finance directors identified staff morale as one of their top concerns.

9k

The total number of nurses, midwives and health visitors has increased by 9,478 posts (3%) since September 2009.

8.2%

In the last quarter more than 440,950 patients (8.2%) spent 4 hours or longer in A&E - the worst performance since 2003.

Headlines

How is the NHS performing?

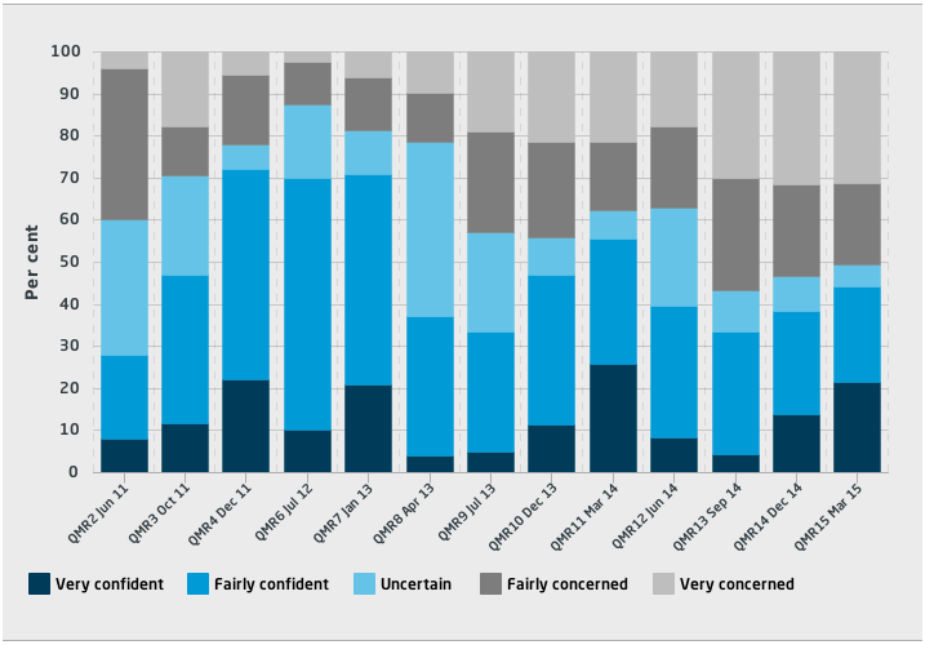
- As the NHS begins a new financial year and we move from one parliament to another, it is clear from the performance on key headline targets and standards and from our latest survey of finance directors that the NHS will face huge challenges this year – very possibly the most difficult for many years.
- Our latest survey of finance directors carried out at the end of February and the beginning of March is the last for the financial year 2014/15 and confirms much of the pessimism evident in our December 2014 survey about the current financial state of health organisations and deep worries about the coming financial year.
- Nearly 70 per cent of providers and 40 per cent of commissioners are concerned about staying within budget in 2015/16, and more than 90 per cent of providers and 85 per cent of commissioners are concerned about the overall financial state of their local health economies.

Looking back at 2014/15

- There's no doubt that 2014/15 has been the toughest year of this parliament for the NHS in England. Despite overall NHS funding exceeding the 2010 Spending Review plans – due in the main to lower than forecast inflation – at an average of around a 0.8 per cent real-terms increase per year, money has been extremely tight.
- With an estimated need for increased funding of 4 to 5 per cent each year from 2011/12 to 2014/15 to meet growing demands, the NHS – but particularly providers – has been under constant pressure to close the funding gap with increases in productivity. Our finance directors' surveys back to 2011 show that trusts have on average set themselves cost improvement programme (CIP) targets of around 5 per cent each year. But the cumulative difficulty in achieving this has become increasingly evident. Our latest survey suggests that only 45 per cent of trusts are confident of achieving their cost improvement targets for 2014/15 – a decline in confidence compared to previous years.

NHS TRUSTS

Figure 5: Trends: How confident are you of achieving your cost improvement programme (CIP) target?



QMR1-4 based on a panel of 50 finance directors. QMR1 and QMR5 excluded as wording of responses not compatible with other quarters' data.

Respondent comments

"'The pressures over winter have prevented a number of initiatives from commencing in the last quarter, resulting in a significant shortfall.'"

– Acute and community foundation trust

"'There are few low-hanging fruit therefore cost change will only come with changes to the operating model, which take time and collaboration to effect. Also every national missive focuses on investment in additional staff be that for numbers on wards or seven-day working. There is a mismatch in timing of resource out and the current clamour for staff investment.'"

– Acute trust

"'This is the last year in which I expect to have this level of confidence. From 2015/16 the ability to generate savings has materially diminished because of compounding effect of activity increases (which are unaffordable to commissioners) and combined pressures from the health systems we operate in.'"

– Ambulance trust

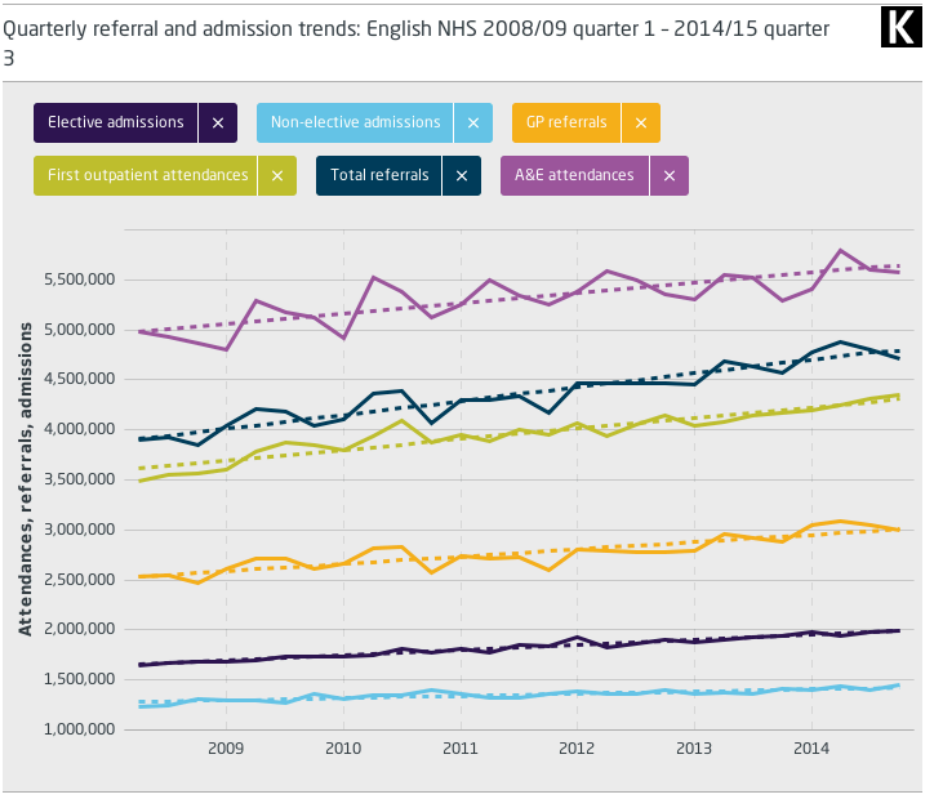
"'The system is "playing with the statistics" as we all know. A cost improvement programme (CIP) target beyond 2 per cent is not achievable and the system finds a way to inject income into the system non-recurrently, which is storing up a problem for the future. '"

– Acute specialist NHS foundation trust

- These findings reflect the fact that, overall, it is now certain that in aggregate the provider side of the NHS economy will have overspent for 2014/15 – increasing the 2013/14 deficit of just over £100 million to nearly £800 million (Appleby *et al* 2015). This overspend is despite the fact that around 6 out of 10 finance directors in our survey reported that their financial position relied on additional financial support of one form or another. At

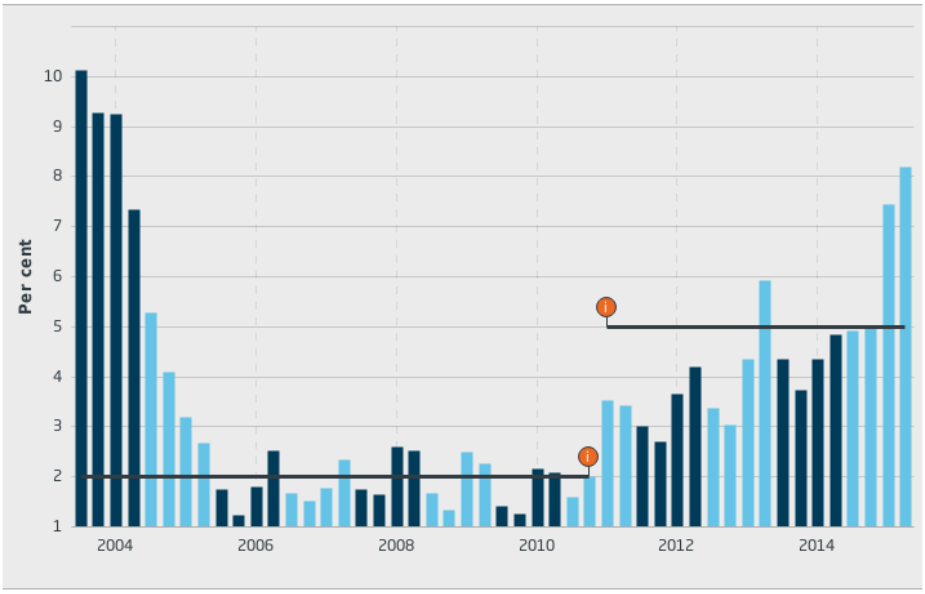
national level this has included £640 million taken out of capital spending and switched into revenue and a further £250 million provided by the Treasury. Whether the health budget overall will overspend depends on any further increases in clinical commissioning group (CCG) underspends (currently forecast to be around £135 million (NHS England 2015c) and performance against the other health budgets managed by the Department of Health and other national bodies. As the Chief Financial Officer, Paul Baumann, put it in his March financial report to the NHS England board, 'In view of the challenging overall financial position in the health sector, all opportunities to contain expenditure further are being scrutinised with a view to improving bottom line delivery, *and to help manage the overall DH revenue position* [our emphasis]' (NHS England 2015c).

- Increasing difficulty in realising savings and more cost-effective ways of providing services (in the short term at least) have been compounded by a relentless increase in demand, rising staffing costs in the wake of reports on the quality of care from Sir Robert Francis (Francis R 2013) and Sir Bruce Keogh (Keogh B 2013) and, possibly, more generally, local level decisions to prioritise quality over cost containment.
- While the NHS has responded to increasing demand with increased activity and, for example, increasing nurse and consultant staffing, and maintaining health care-acquired infections such as *C difficile* at historically low levels, 2014/15 has also seen widespread breaches of key waiting times standards such as the four-hour target for A&E – the top concern for commissioner finance leads.



Data source: NHS England, Monthly hospital activity data (commissioner based time series) www.england.nhs.uk

Figure 28: Percentage waiting more than four hours in A&E from arrival to admission, transfer or discharge

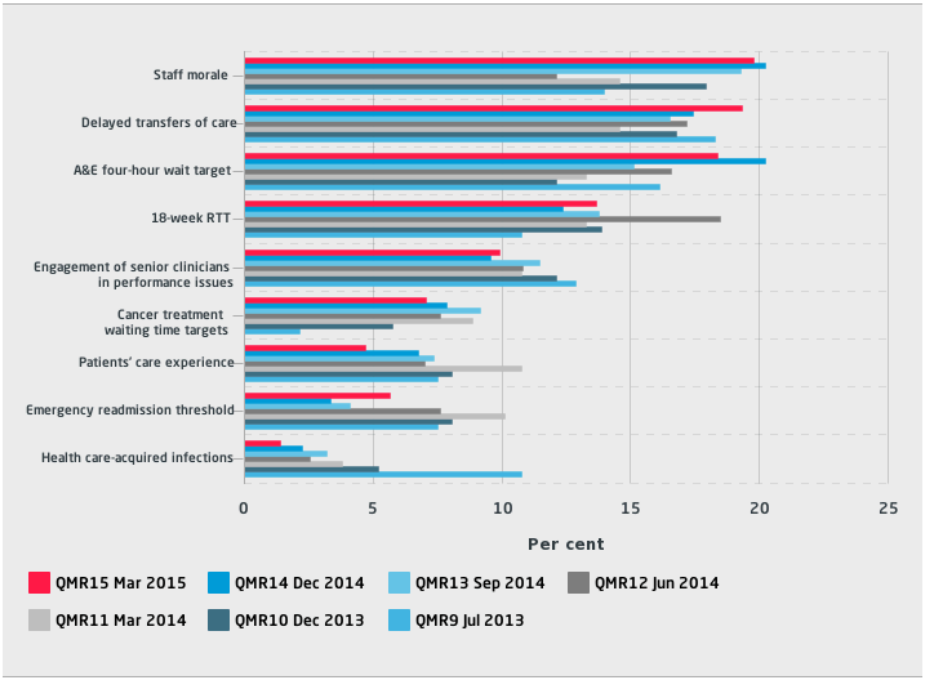


Data source: Weekly A&E SitReps 2014-15 www.england.nhs.uk

- Another major concern throughout 2014/15 for trust finance directors has been problems in discharging or transferring patients. This has placed pressure on beds, which leads to problems with emergency admissions from A&E – exacerbating waits in emergency departments. After remaining flat for a number of years, the number of delayed transfers of care started to rise at the beginning of last year and now stands at its highest level since 2008.

NHS TRUSTS

Figure 11: Trends: Which aspects of your organisation's performance are giving you most cause for concern at the moment? Please select top three



Respondents asked to choose their top three concerns. Figures expressed as a percentage of the total number of concerns in each survey.

Respondent comments

"'Local authority funding cuts impact on community nursing, social care access and support, delayed transfers of care (DTOCs), and de-stabilise the system. The problems in our patch due to local authority cuts are as big as the NHS overall provider pressures from cost improvement programmes and demand.'"

– Community and mental health trust

"'As a mental health trust, predominantly on block contracts, the areas of performance concerns are: a) management increasing demand and acuity of patients within fixed resources, b) recruitment and retention of clinical staff, leading to high uses of agency workers.'"

– Mental health trust

"'Relative high usage/reliance on agency staff.'"

– Acute and community provider

"'Referral-to-treatment (RTT) is ok now but is a tsunami that will hit us in three months. Staff goodwill is on a knife-edge.'"

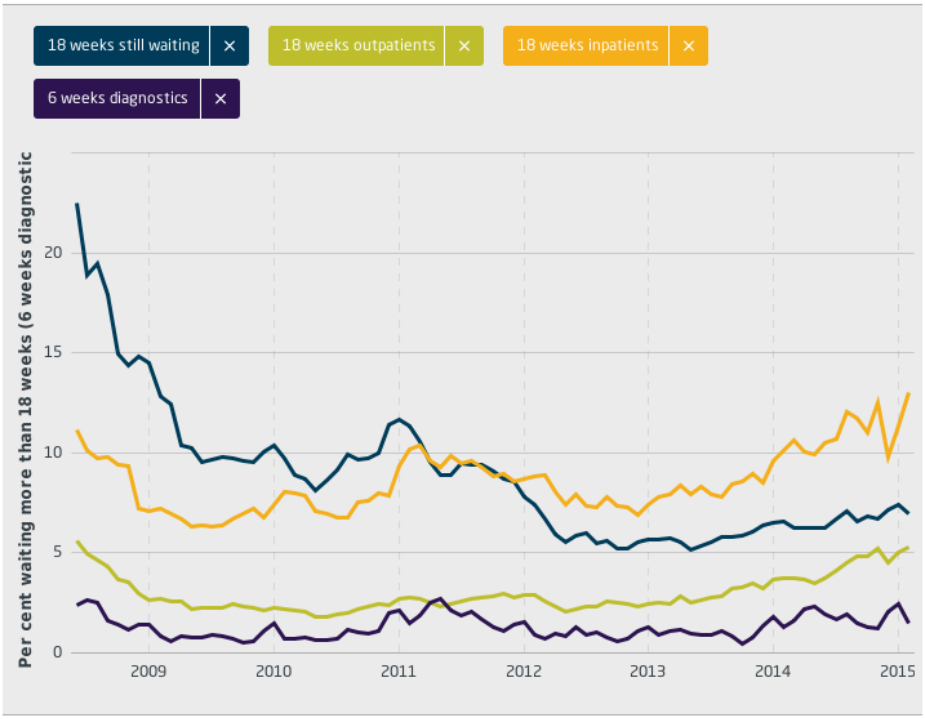
– District general hospital

"'Our patient care quality depends on staff morale. Staff morale is taking a knock given the extra hours staff are putting in to meeting standards and growing fears that the "next lot in Downing Street", irrespective of promises, start re-organising the deck chairs again.'"

– Specialist trust

- In the face of increasing elective referrals, delays to discharges add to pressures, with a deterioration in elective waiting times. Despite additional funding and twice suspending the penalties for breaching the target for waiting times to try and deal with rising numbers of patients still waiting for admission, 2014/15 has been the worst year this parliament for breaches of the 18-week referral-to-treatment targets as well as diagnostic tests and the 62-day cancer standard.

Figure 25: Percentage still waiting/having waited more than 18 weeks (more than six weeks for diagnostics)



Data source: Referral-to-treatment waiting times statistics www.england.nhs.uk

Diagnostic waiting times statistics www.england.nhs.uk

- More generally, when asked about the state of patient care in their local area over the past year, 45 per cent of commissioners and of trust finance directors thought that on balance it had got worse. Worries about the quality of care are also reflected indirectly by trust finance directors' top concern – staff morale – which has now topped the list for three consecutive quarters. As we have noted before, the morale of staff directly affects the quality of care patients experience; the NHS planning framework for 2014/15 to 2018/19 notes, for example, that '...happy, well-motivated staff deliver better care and... their patients have better outcomes' (NHS England 2013). And as The Point of Care Foundation also notes, there is evidence to link staff satisfaction and morale not only with patient experience but also with clinical quality and productivity (The Point of Care Foundation 2014).

Looking forward to 2015/16?

- Given the evident pressures on finances and performance in 2014/15, what are the prospects for 2015/16? The government's spending plans suggest a cash increase in NHS funding in 2015/16 of about £3 billion – a real increase of around 1.3 per cent. However, this is more than wiped out this year as at least £3.46 billion from the total NHS budget has been earmarked for the Better Care Fund (NHS England 2015b). While it is envisaged that this money (plus additional sums pledged locally from the NHS and local authorities) will have positive benefits for patients, nonetheless, there will be an opportunity cost to the NHS in terms of funds available for its routine work.

- It is perhaps not surprising therefore that just 2 per cent of trust finance directors and only 8 per cent of commissioner finance leads are optimistic about the financial state of their local health economies in 2015/16 – with the remainder either mostly pessimistic or uncertain. At an organisational level, two-thirds of trust finance directors and 40 per cent of commissioner finance leads say they are concerned about staying in budget this year.

- Pessimism about finances is also evident in views about future productivity gains. 2014/15 was the last year of the so-called Nicholson Challenge to generate productivity gains of £20 billion. The extent to which this was achieved is uncertain (Appleby *et al* 2015) but from our previous surveys finance directors have been consistently doubtful about its chances of success. Now, however, the *NHS five year forward view* (Forward View) has proposed an extension to the need to generate further productivity gains – the Stevens Challenge? – on the basis that funding up to 2020/21 is also likely to be almost as constrained as funding over the past five years (NHS England *et al* 2014). However, 75 per cent of trust finance directors and over two-thirds of commissioner finance leads thought there was a high or very high risk of not achieving the Forward View's efficiency targets of 2 to 3 per cent.

- This pessimism is partly fuelled by the fact that most trust finance directors believe that demand will continue to rise in 2015/16. Two-thirds have plans for, or expect, an increase in elective admissions and nearly 80 per cent expect emergency admissions to rise. However, this contrasts sharply with the views of commissioners: more than half expect little or no change in elective admissions and nearly 60 per cent a reduction in emergency activity. Who proves to be correct remains to be seen, but the weight of recent historical trends is on the side of the providers, which would create pressure for the funding of additional secondary care activity.

- Pressure on providers is also likely through continuing cuts to the Payment by Results tariff in 2015/16. Following objections to the proposed tariff arrangements by providers a new proposal devised by Monitor and NHS England has been broadly accepted. In our survey around 80 per cent of finance directors said their organisation had opted for the enhanced tariff option (ETO) – in essence comprising a slightly smaller efficiency price cut (3.5 per cent instead of 3.8 per cent), and less severe marginal cost reimbursements – rather than continuing with the 2014/15 tariff arrangements.

- It would be an understatement to say that these compromises have not been greeted with much enthusiasm by finance directors. Comments from our survey reveal not only anger with the way the tariff-setting process was conducted – many questioning its legality – but also arguments that the tactic of cutting prices first and asking efficiency questions later has been counterproductive, leading not to more efficient services but to increasing deterioration in trust finances.

- There is no doubt that the NHS has begun 2015/16 facing a bigger financial challenge than over the past few years. As we noted last year in a review of NHS productivity (Appleby *et al* 2014), while there is scope for more cost-effective use of the NHS budget, unlocking greater productivity takes time, upfront transformational funding and measures to support change and value for money.

References

- Appleby J, Galea A, Murray R (2014). *The NHS productivity challenge: experience from the front line*. London: The King's Fund. Available at: www.kingsfund.org.uk (accessed on 15 April 2015).

- Appleby J, Baird B, Thompson J, Jabbal J (2015). *The NHS under the coalition government. Part two: NHS performance*. London: The King's Fund. Available at: www.kingsfund.org.uk (accessed on 15 April 2015).

- Francis R (2013). *Report of the Mid Staffordshire NHS Foundation Trust Public Inquiry*. HC 898-I. London: The Stationery Office. Available at: www.midstaffspublicinquiry.com (accessed on 6 November 2014).

- Keogh B (2013). *Review into the quality of care and treatment provided by 14 hospital trusts in England: overview report*. London: NHS England. Available at: www.nhs.uk (accessed on 12 January 2015).

- NHS England (2015a). *A&E attendances and emergency admissions 2014-15*. London: NHS England. Available at: www.england.nhs.uk (accessed on 15 April 2015).

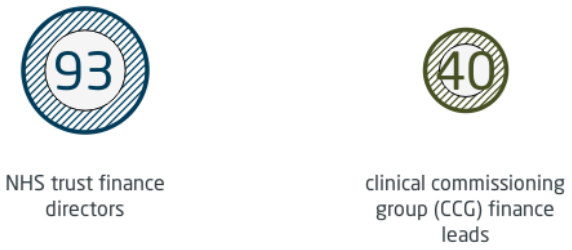
- NHS England (2015b). *Better Care Fund: guidance for the operationalisation of the BCF in 2015-16*. London: NHS England. Available at: www.england.nhs.uk (accessed on 15 April 2015).

- NHS England (2015c). *Consolidated 2014/15 financial report (month 10)*. Paper PB.150326/13A for Board meeting, 26 March 2015. Available at: www.england.nhs.uk (accessed on 30 March 2015).

- NHS England (2015d). *Consultant-led referral to treatment waiting times*. London: NHS England. Available at: www.england.nhs.uk (accessed on 15 April 2015).
- NHS England (2015e). *Diagnostic waiting times and activity*. London: NHS England. Available at: www.england.nhs.uk (accessed on 15 April 2015).
- NHS England (2013). *Everyone counts: planning for patients 2014/15-2018/19*. London: NHS England. Available at: www.england.nhs.uk (accessed on 13 January 2015).
- NHS England, Care Quality Commission, Health Education England, Monitor, NHS Trust Development Authority, Public Health England (2014). *NHS Five Year Forward View*. London: NHS England. Available at: www.england.nhs.uk (accessed on 15 April 2015).
- The Point of Care Foundation (2014). *Staff care: how to engage staff in the NHS and why it matters*. London: The Point of Care Foundation. Available at: www.pointofcarefoundation.org.uk (accessed on 21 October 2014).

1. Health care surveys

This quarter's report is based on an online survey of the following groups.



This report details the results of an online survey of NHS trust finance directors carried out between 26 February 2015 and 12 March 2015. We contacted 257 NHS trust finance directors to take part and 93 responded (36 per cent response rate). The sample included 53 acute trusts; 27 community and mental health trusts; 4 specialist trusts; 4 ambulance trust and 5 unknown.

In addition, we contacted 187 clinical commissioning group (CCG) finance leads and 40 responded (21 per cent response rate). Between them these finance leads covered 41 CCGs (22 per cent of CCGs).

Respondents were asked about their organisation's financial situation and the financial outlook for their local health economy over the past financial year; the state of patient care in their area; the productivity challenge set out as part of the *NHS five year forward view*; the financial situation looking ahead to 2015/16; the key organisational challenges facing trusts and CCGs; and provider/CCG plans for elective and non-elective activity in the coming financial year (2015/16).

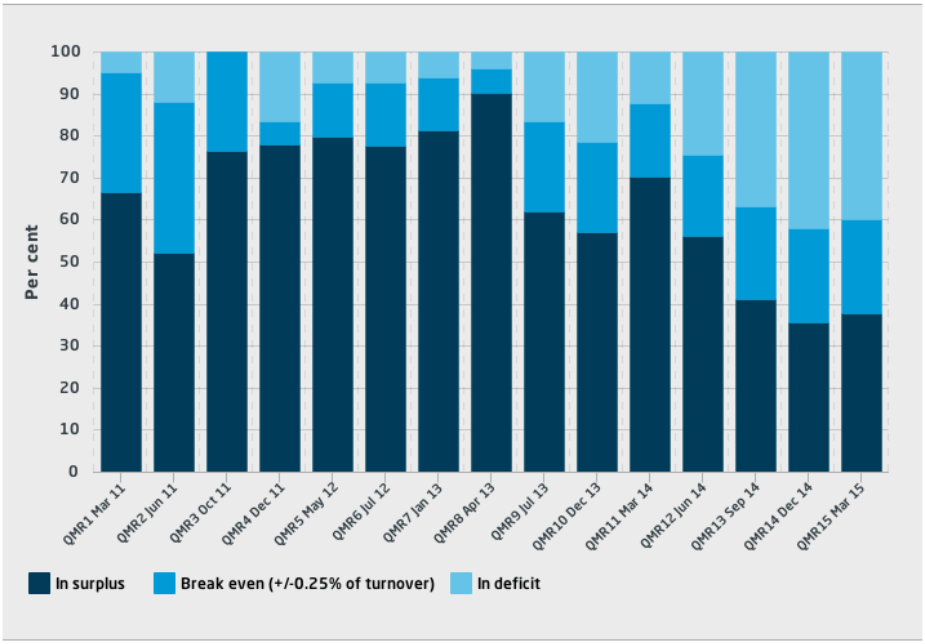
2. Projected end-of-year financial balance: 2014/15

Nationally, NHS trusts reported a deficit of £467 million by 31 December 2014, and 35 per cent were forecasting a deficit for 2014/15 (NHS Trust Development Authority 2015). For foundation trusts, at the end of quarter 3, Monitor reported deficits at 78 trusts (52 per cent of all foundation trusts) amounting to £321 million (Monitor 2015). Nationally, at month 10 (2014/15) NHS England reported 18 CCGs in deficit with an overspend of £18 million, but in aggregate CCGs forecast a surplus of £135 million (NHS England 2015). The overall surplus may be higher depending on the final spending position on other central commissioning budgets.

Our latest survey shows a similar position across trusts and foundation trusts combined, with around 40 per cent forecasting a deficit for the end of year (2014/15) (Figure 1). On the other hand, only around 10 per cent of CCGs forecast an overspend by the end of 2014/15 (Figure 2).

NHS TRUSTS

Figure 1: Trends: What is your organisation's forecast end-of-year financial situation?



QMR 1-4 based on a panel of 50 trust finance directors

Respondent comments

"'My trust will have a deficit this year for the first time ever.'"

– Acute trust

"(Surplus) 'Dependent on contractual penalties being reinvested by CCGs - no confirmation as yet. Otherwise we will be in deficit.'"

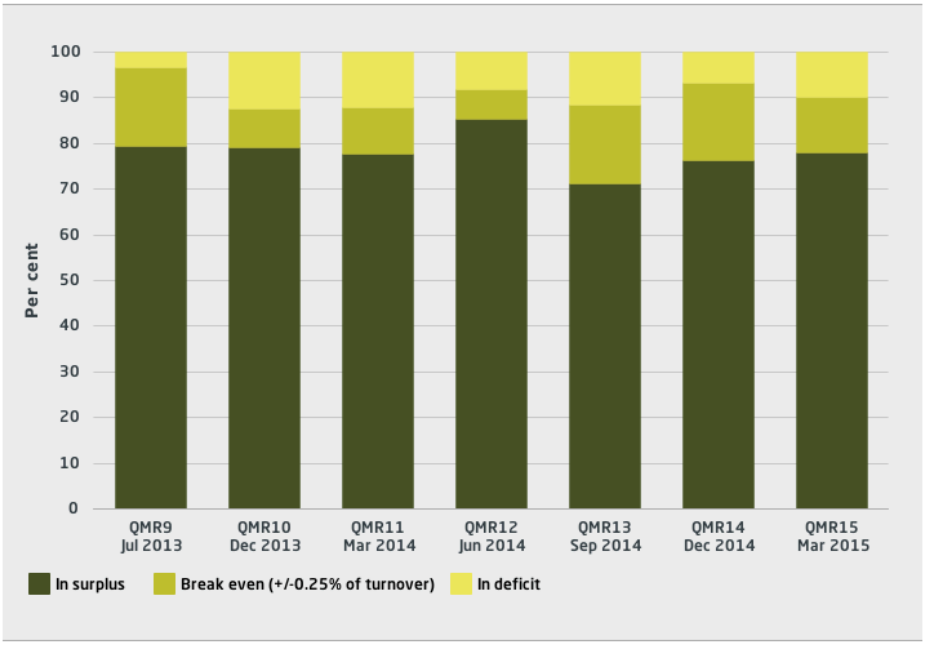
– Ambulance trust

"(Deficit) 'Following the decision announced in month 8 to reduce transitional Project Diamond funding by 50 per cent.'"

– Specialist trust

CCG LEADS

Figure 2: Trends: What is your organisation's forecast end-of-year financial situation?



40 CCG finance leads answered this question for the 41 CCGs they cover collectively.
CCGs only surveyed since their establishment in April 2013.

Respondent comments

"'In surplus but with an in-year deficit of £2 million.'"

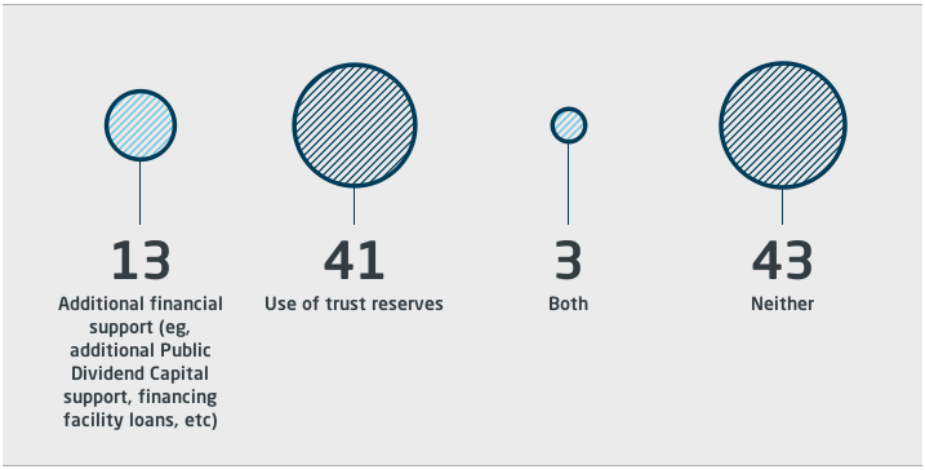
"'Mainly legacy surplus, break even in year.'"

3. In-year financial support

In 2014/15, nearly 60 per cent of finance directors reported that they relied on additional financial support, either loans and additional finance such as additions to their Public Dividend Capital (PDC) from the Department of Health, or drawing on their own reserves (Figure 3).

NHS TRUSTS

Figure 3: What does your forecast end-of-year outturn depend on?



Only foundation trusts are allowed to draw down on trust reserves.

Respondent comments

"'Using all available reserves and still reporting a deficit.'"

– Acute and community foundation trust

"'Seeking resources from CCG.'"

– Acute NHS trust

"'In addition to the charitable funding, the trust has utilised reserves set aside for investment/service development to support the financial position; this situation is not sustainable.'"

– Acute specialist NHS foundation trust

4. Cost improvement and QIPP programmes (2014/15)

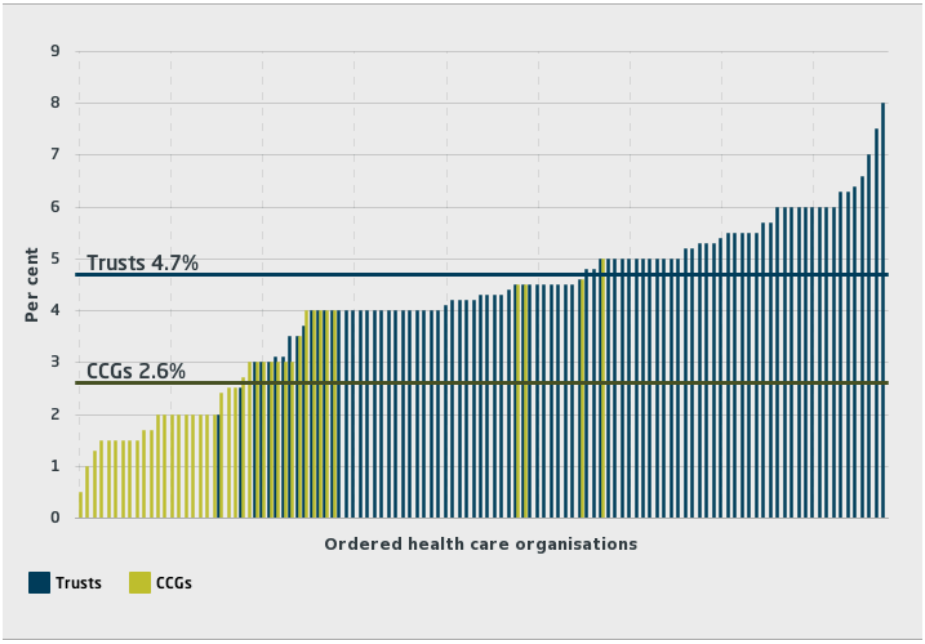
The average cost improvement programme (CIP) target for trusts for 2014/15 is 4.7 per cent, ranging from 2 per cent to 8 per cent of turnover. The average quality, innovation, productivity and prevention (QIPP) target for CCGs for 2014/15 is 2.6 per cent, ranging from 0.5 per cent to 5 per cent of allocation (Figure 4).

Confidence in achieving planned CIPs/QIPPs has been reducing each year since 2011. Around 50 per cent of all NHS trust finance directors now feel fairly or very concerned about achieving their CIP plans this year (Figure 5).

Similarly, around 30 per cent of all CCG finance leads were fairly or very concerned about achieving their QIPP plans this year, which represents a 5 percentage point increase in concern from the same time last year (Figure 6).

NHS TRUSTS CCG LEADS

Figure 4: What is your organisation's CIP/QIPP target for this financial year (2014/15) as a percentage of turnover/allocation?



Respondent comments

"'4 per cent – it would have needed to be 6 per cent to cover the deficit, which was not possible.'"

– Mental health trust

"'5 per cent but this understates the pressure on services because turnover includes many other things such as research and development, hosted services, etc.'"

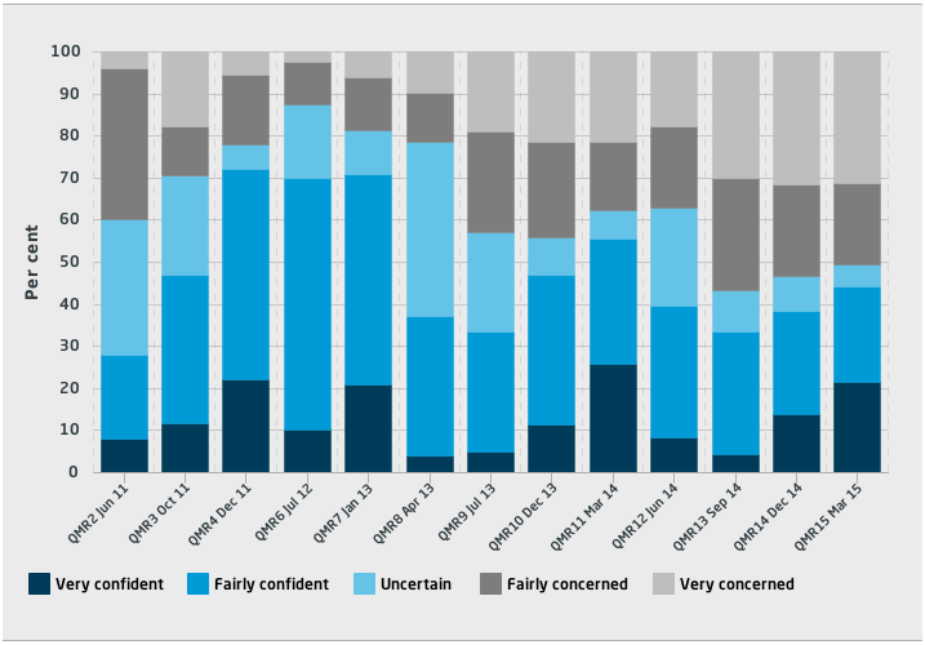
– Teaching hospital

"'Target was 5.7 per cent. We will hit 4.3 per cent – but with sizeable (50 per cent) non-recurrent.'"

– Acute medium-sized foundation trust

NHS TRUSTS

Figure 5: Trends: How confident are you of achieving your cost improvement programme (CIP) target?



QMR1-4 based on a panel of 50 finance directors. QMR1 and QMR5 excluded as wording of responses not compatible with other quarters' data.

Respondent comments

"'The pressures over winter have prevented a number of initiatives from commencing in the last quarter, resulting in a significant shortfall.'"

– Acute and community foundation trust

"'There are few low-hanging fruit therefore cost change will only come with changes to the operating model, which take time and collaboration to effect. Also every national missive focuses on investment in additional staff be that for numbers on wards or seven-day working. There is a mismatch in timing of resource out and the current clamour for staff investment.'"

– Acute trust

"'This is the last year in which I expect to have this level of confidence. From 2015/16 the ability to generate savings has materially diminished because of compounding effect of activity increases (which are unaffordable to commissioners) and combined pressures from the health systems we operate in.'"

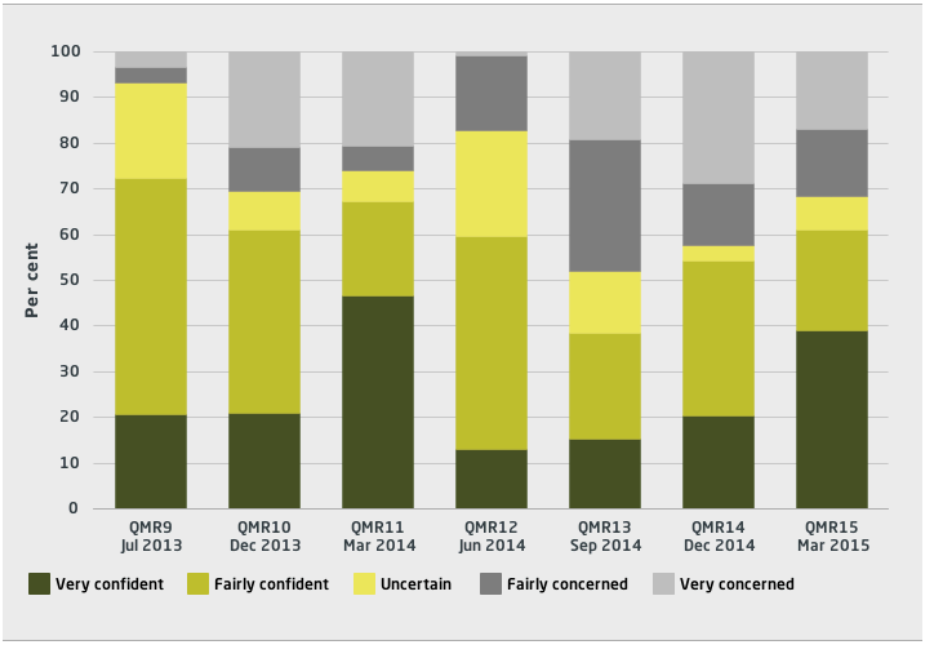
– Ambulance trust

"'The system is "playing with the statistics" as we all know. A cost improvement programme (CIP) target beyond 2 per cent is not achievable and the system finds a way to inject income into the system non-recurrently, which is storing up a problem for the future. '"

– Acute specialist NHS foundation trust

CCG LEADS

Figure 6: Trends: How confident are you of achieving your quality, innovation, productivity and prevention (QIPP) target?



40 CCG finance leads answered this question for the 41 CCGs they cover collectively.
CCGs only surveyed since their establishment in April 2013.

Respondent comments

"'Likely outturn 60 per cent delivery of QIPP target.'"

"'Acute providers continue to plough on with doing more activity as it is their way of delivering their efficiency targets, ie, do more activity for the same cost.'"

"'Delivered through some windfall mitigation and new schemes; not all original schemes delivered.'"

5. The NHS five year forward view productivity challenge

With NHS funding growing at less than 1 per cent per year in real terms on average between 2010/11 and 2014/15, but with demand growth estimated to require real increases of around 4 per cent (Appleby *et al* 2009; McKinsey and Company 2009), the policy response – the Nicholson Challenge – was to aim to improve productivity.

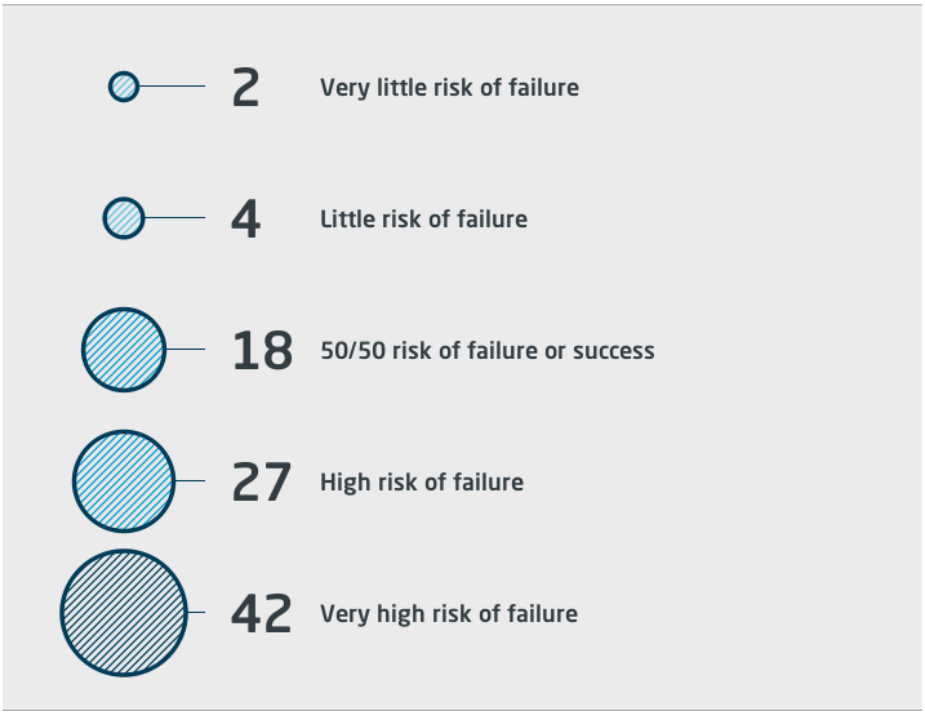
Now the *NHS five year forward view* (Forward View) has set out funding projections which suggest the need for additional spending of £30 billion over the five years to 2021/22. The Forward View suggests that with an additional £8 billion, the NHS could manage to close the remaining £22 billion gap through productivity improvements of between 2 to 3 per cent per year.

Previous surveys have revealed a high degree of scepticism about the achievability of the Nicholson Challenge, and this survey shows that around 75 per cent of finance directors think there is a high or very high risk of failing to achieve the productivity gains suggested by the Forward View (Figure 7).

CCG finance leads also felt fairly pessimistic, with the majority – more than two-thirds – assessing the risk of failure as fairly or very high (Figure 8).

NHS TRUSTS

Figure 7: The Forward View sets out a challenge to the NHS to achieve an average of 2 to 3 per cent productivity gains per year from 2015/16 to 2020/21. What is your estimate of the risk involved in achieving these productivity gains?



Respondent comments

"'Local authority risks and cuts mean that this is outwith providers' control as new models of care are not fully resourced and need to be already delivering. '"

– Community and mental health trust

"'Whilst the five-year view describes the need to achieve average efficiency of 2 to 3 per cent, at local levels this nearly always seems to translate into a need for a much higher level of efficiency to meet the trust's financial plan. I have very little confidence that the forward efficiency plan will only be to 3 per cent.'"

– Acute teaching hospital

"'It might be easier to pass a camel through the eye of a needle than genuinely deliver even 2 per cent recurrent cost savings, post-Francis and with rampant non-emergency growth.'"

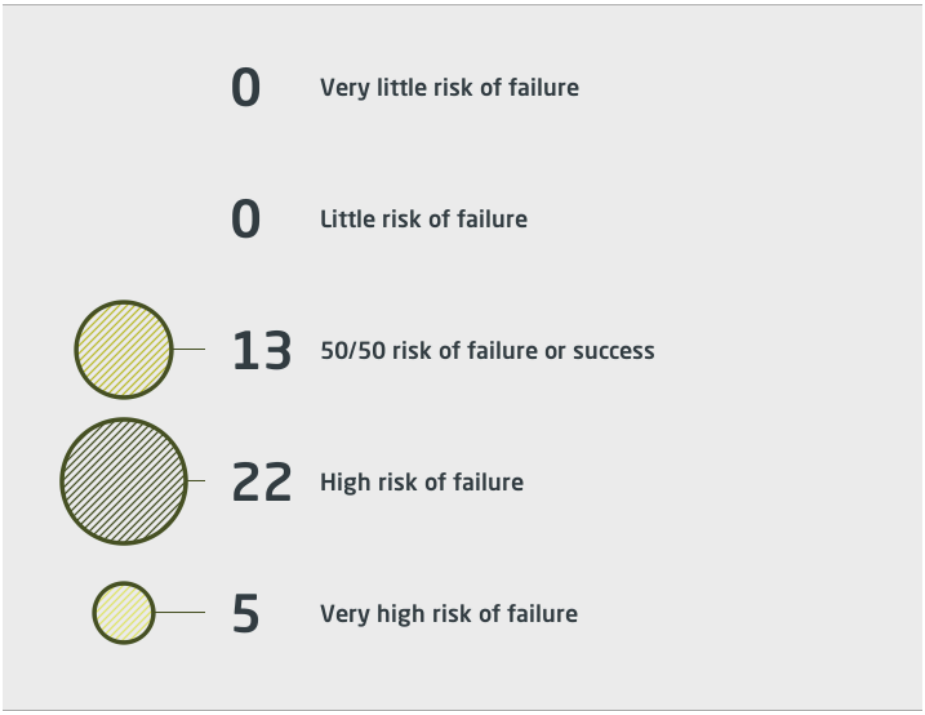
– Acute medium sized foundation trust

"'The easy wins have been achieved and it is getting increasingly harder to strip out cost from services already under pressure.'"

– Acute specialist foundation trust

CCG LEADS

Figure 8: The Forward View sets out a challenge to the NHS to achieve an average of 2 to 3 per cent productivity gains per year from 2015/16 to 2020/21. What is your estimate of the risk involved in achieving these productivity gains?



Respondent comments

"'The workforce is not flexible or incentivised enough to deliver meaningful productivity gains.'"

"'The NHS has never achieved these levels historically, and tends to understate the impact of cost pressures (eg, seven-day working looking forward). Also difficult to see at the moment how GP services will be consolidated into this assessment.'"

"'We are struggling to find 2 per cent of truly deliverable schemes and as part included Better Care Fund savings it makes it doubly hard. The centre is actually using the 3 per cent as its benchmark for aspirational thermometer.'"

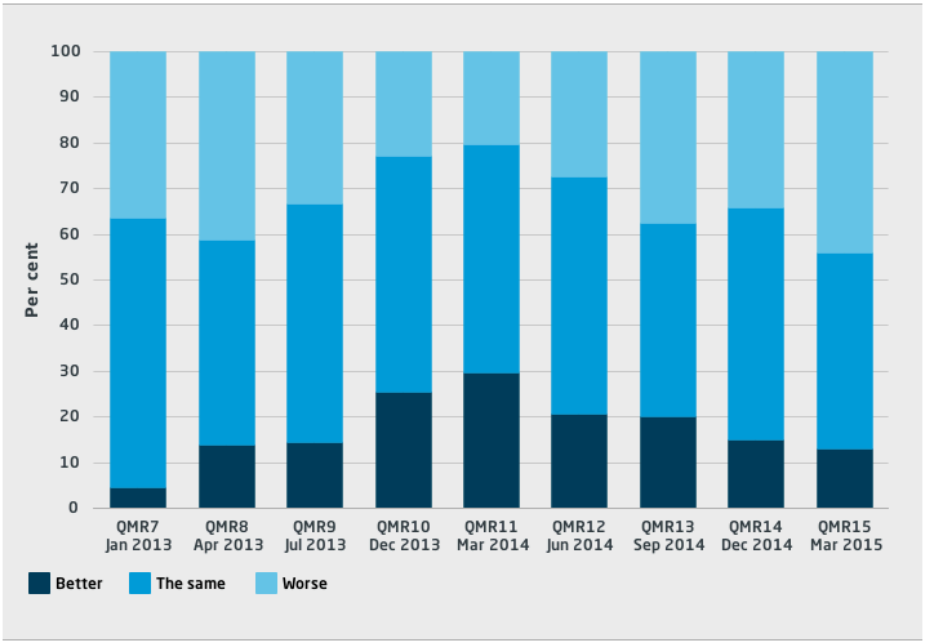
"'2-3 per cent is a stretch challenge, however 4-5 per cent is needed to balance the books.'"

6. The state of patient care

Around 45 per cent of both CCG finance leads and NHS trust finance directors felt that care in their local area had worsened over the past year (Figures 9 and 10). For finance directors, this is broadly consistent with views expressed in previous surveys. However, for CCG finance leads, the proportion stating care has got better has declined over the past year to one of its lowest points.

NHS TRUSTS

Figure 9: Trends: Thinking about the NHS in your local area, in the past 12 months, do you think it has got better, worse, or stayed the same in terms of patient care?



Question not asked before QMR6.

Respondent comments

"'Despite planning for a reduction in non-elective admissions there has again been an increase. In a system with limited capacity, being told not to plan for more makes it very difficult to maintain the right standards.'"

– Acute district general hospital trust

"'There seem even more fractures in pathway delivery as individual organisations increasingly talk about collaboration but act in an internal way to stay off regulators' radars.'"

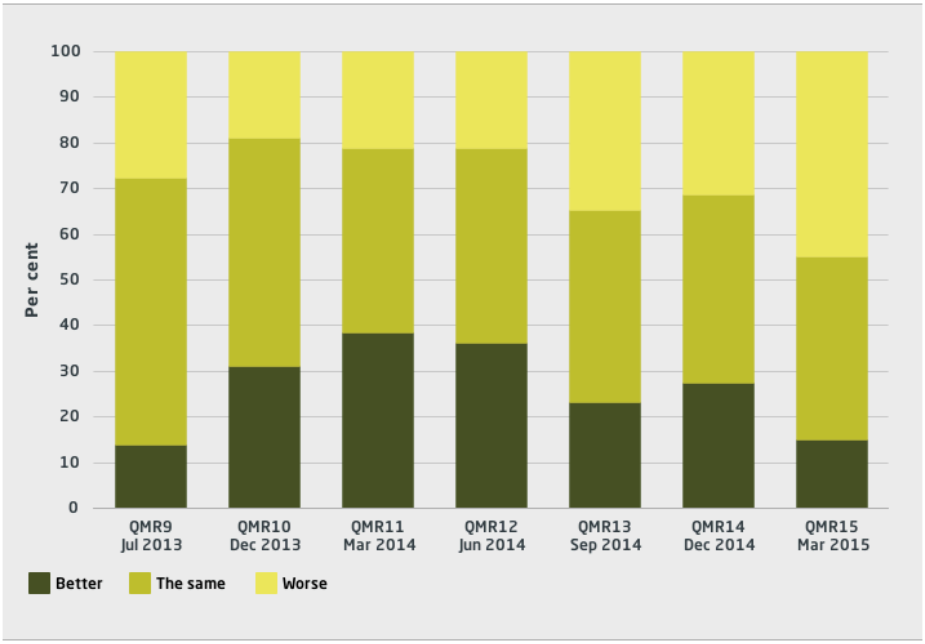
– Acute trust

"'We are a specialist hospital. Our service quality has been maintained or improved but at the cost of trespassing heavily on staff goodwill re extra hours well beyond contract terms as we sought to meet referral-to-treatment (RTT 18-week standard) within existing and marginal activity resources.'"

– Specialist trust

CCG LEADS

Figure 10: Trends: Thinking about the NHS in your local area, in the past 12 months, do you think it has got better, worse, or stayed the same in terms of patient care?



CCGs only surveyed since their establishment in April 2013.

Respondent comments

"'Finance and performance standards slipping and the rate of decline seems to be quickening.'"

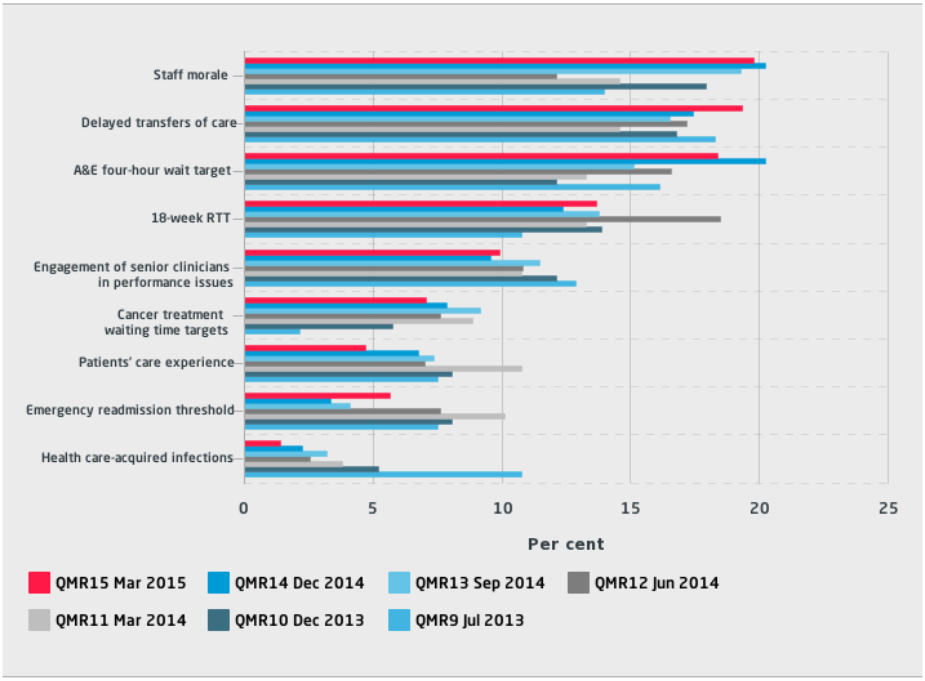
7. Organisational challenges

For trust finance directors, staff morale remains at the top of the list of concerns, along with the A&E four-hour waiting times target and delayed transfers of care (Figure 11).

CCG finance leads continue to be most concerned about A&E and 18-week referral-to-treatment (RTT) waiting time targets and delayed transfers of care (Figure 12).

NHS TRUSTS

Figure 11: Trends: Which aspects of your organisation's performance are giving you most cause for concern at the moment? Please select top three



Respondents asked to choose their top three concerns. Figures expressed as a percentage of the total number of concerns in each survey.

Respondent comments

"'Local authority funding cuts impact on community nursing, social care access and support, delayed transfers of care (DTOCs), and de-stabilise the system. The problems in our patch due to local authority cuts are as big as the NHS overall provider pressures from cost improvement programmes and demand.'"

– Community and mental health trust

"'As a mental health trust, predominantly on block contracts, the areas of performance concerns are: a) management increasing demand and acuity of patients within fixed resources, b) recruitment and retention of clinical staff, leading to high uses of agency workers.'"

– Mental health trust

"'Relative high usage/reliance on agency staff.'"

– Acute and community provider

"'Referral-to-treatment (RTT) is ok now but is a tsunami that will hit us in three months. Staff goodwill is on a knife-edge.'"

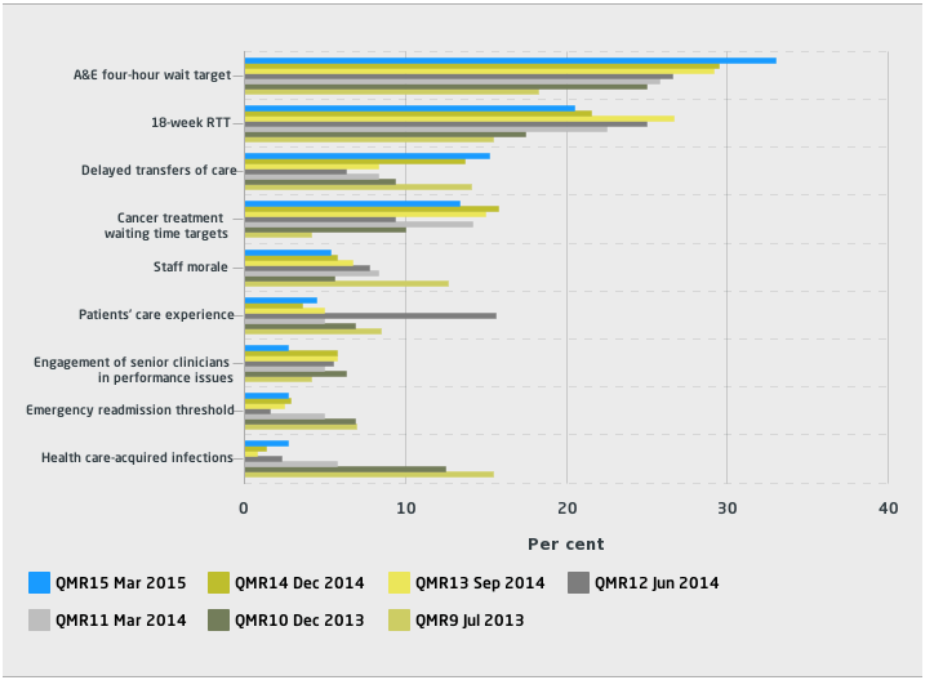
– District general hospital

"'Our patient care quality depends on staff morale. Staff morale is taking a knock given the extra hours staff are putting in to meeting standards and growing fears that the "next lot in Downing Street", irrespective of promises, start re-organising the deck chairs again.'"

– Specialist trust

CCG LEADS

Figure 12: Trends: Which aspects of your organisation's performance are giving you most cause for concern at the moment? Please select top three



Respondents asked to choose their top concerns. Figures expressed as a percentage of the total number of concerns in each survey.

Respondent comments

"'Ability to create capacity (resources and funding) to enable transformation of services.'"

"'Lack of recognition that their NEL conversion rates are very high and that they need to take some ownership of that bit of the pathway (excepting that some may be linked to community-based support).'"

8. Tariff arrangements for 2015/16

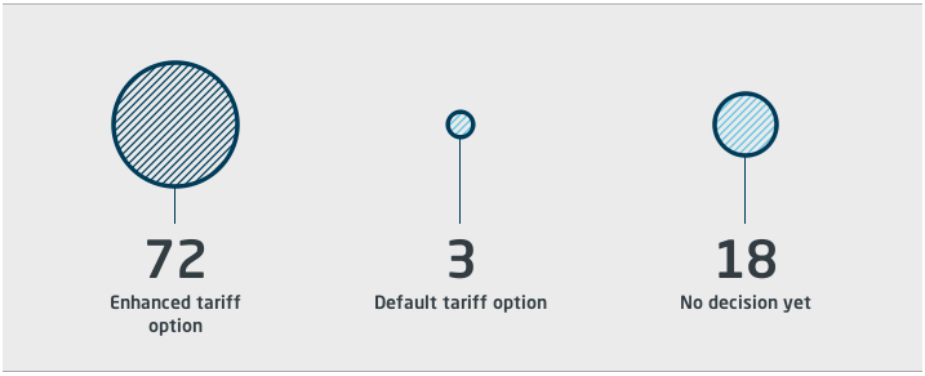
Earlier this year, providers responsible for 75 per cent share of all NHS services lodged formal objections to the 2015/16 proposed tariff.

Monitor and NHS England subsequently offered providers a choice between an enhanced tariff option and a default tariff option (the latter largely based on 2014/15 prices).

When asked about their plans, around 80 per cent of all NHS trust finance directors indicated that they would opt for the enhanced tariff option (Figure 13). However, as the comments overwhelming reveal, no one was happy about the choices on offer or the way that the pricing process had been conducted.

NHS TRUSTS

Figure 13: Is your organisation planning to choose the enhanced tariff option, or the default tariff option for 2015/16? As proposed by NHS England and Monitor



Respondent comments

"'This was only chosen as the "best worst option". Delivery of 3.5 per cent efficiency requirement is unrealistic given the previous 4 years of reductions of around 4 per cent per annum.'"

– Mental health foundation trust

"'The choice is between a punch in the face and a kick in the balls. We are really, really enthusiastic about being punched in the face, compared to the alternative.'"

– Mental health foundation trust

"'[Yes to the enhanced tariff option] under significant protest and pending legal challenge.'"

– Acute teaching hospital

"'We will probably opt for the enhanced tariff option but are questioning if it is legal as both options are undoable.'"

– Acute specialist NHS foundation trust

"'The underlying tariff has many serious issues (eg, cardiac tariff going down 7 per cent with no real justification) and the basis for a 70 per cent marginal rate applied to activity above current year contract value is hugely flawed.'"

– Teaching acute hospital providing both local and specialist services

"'The expertise about providers lies within providers and if that expertise is not consulted or the views are not listened to, the result is fairly inevitable.'"

– Specialist trust

"'We are extremely angry about the enhanced tariff and the "choice" offered!'"

– Acute/community trust

9. Elective and non-elective activity in 2015/16

Nearly two in three trusts are planning for an increase elective activity in 2015/16. However, just one in three CCGs expects an increase in elective activity in the same period (Figures 14 and 15).

The scale of the mismatch in planning assumptions widens considerably for emergency admissions; nearly 80 per cent of trusts expect an increase in 2015/16, but 60 per cent of all commissioners plan or expect a reduction (Figures 16 and 17).

The risk is not just a mismatch of expectations, but a serious disjoint between what providers expect in terms of income for activity and what commissioners think they are likely to pay. Both cannot be right; past experience suggests emergency activity will increase rather than reduce, for example.

NHS TRUSTS

Figure 14: What are your plans/expectations for elective activity in 2015/16 compared with the current year (2014/15)?

65 respondents (for whom the question was applicable).

Respondent comments

"'Patch locally is seeing unprecedented growth and pressures, having dire impacts on elective work and as a consequence on acutes' financial positions – elective is the only way they can recover margins.'"

– Community and mental health trust

"'Recovery in 15/16, of shortfalls in elective delivery during 14/15 which are mostly attributable to the knock-on impact of 10 per cent higher non-elective admissions, is essential to stabilise waiting time performance and to plug at least some of the holes in next year's income.'"

– Major university teaching hospital

"'Referral rates from GPs incessantly up 6–7 per cent year-on-year.'"

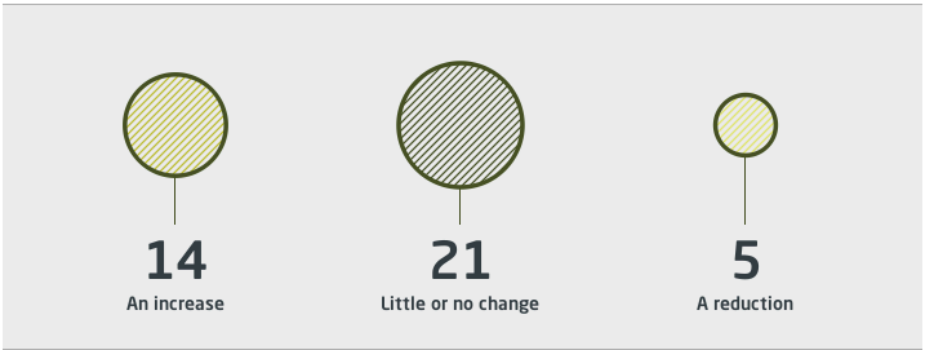
– District general hospital

"'Due primarily to referral-to-treatment backlog.'"

– Acute teaching trust

CCG LEADS

Figure 15: What are your plans/expectations for elective activity in 2015/16 compared to the current year (2014/15)?



Respondent comments

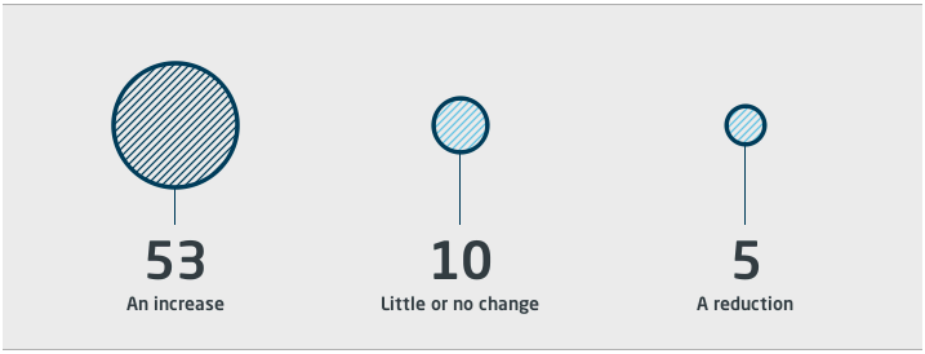
"'Dependent upon eliminating variation in practice across GP referral approach.'"

"'Additional activity commissioned for next year in order to achieve referral-to-treatment standards. In addition, projected population increase. Increase of around 2 per cent in elective year on year.'"

"'The national referral-to-treatment backlog clearance ought to mean that assuming capacity and demand are in equilibrium overall in years activity should reduce.'"

NHS TRUSTS

Figure 16: What are your plans/expectations for non-elective activity in 2015/16 compared to the current year (2014/15)?



68 respondents (for whom the question was applicable).

Respondent comments

"'No confidence in CCG Better Care Fund plans to do other than reduce the rate of increase.'"

– Acute foundation trust

"'The trust is forecasting an increase whilst the commissioners are suggesting this will be stemmed by the Better Care Fund initiatives. There is no evidence to date that they are going to make any difference as the patients that are coming into the system need acute intervention.'"

– Acute and community foundation trust

"'National tariff approach is out of line with reality. Activity will also grow as primary and social care are stretched and secondary care becomes a place of last resort for care and social needs.'"

– Acute trust

"'CCG thinks 3 per cent and we think 6 or 7 per cent at least.'"

– Acute medium-sized trust

CCG LEADS

Figure 17: What are your plans/expectations for non-elective activity in 2015/16 compared to the current year (2014/15)?

Respondent comments

"'Plan a reduction but fairly sceptical it will happen.'"

"'Planned 3.4 per cent reduction – more or less in line with Better Care Fund requirement.'"

"'Linked to Better Care Fund: concern that schemes planned will be able to deliver with availability of staff to work in out of hospital services.'"

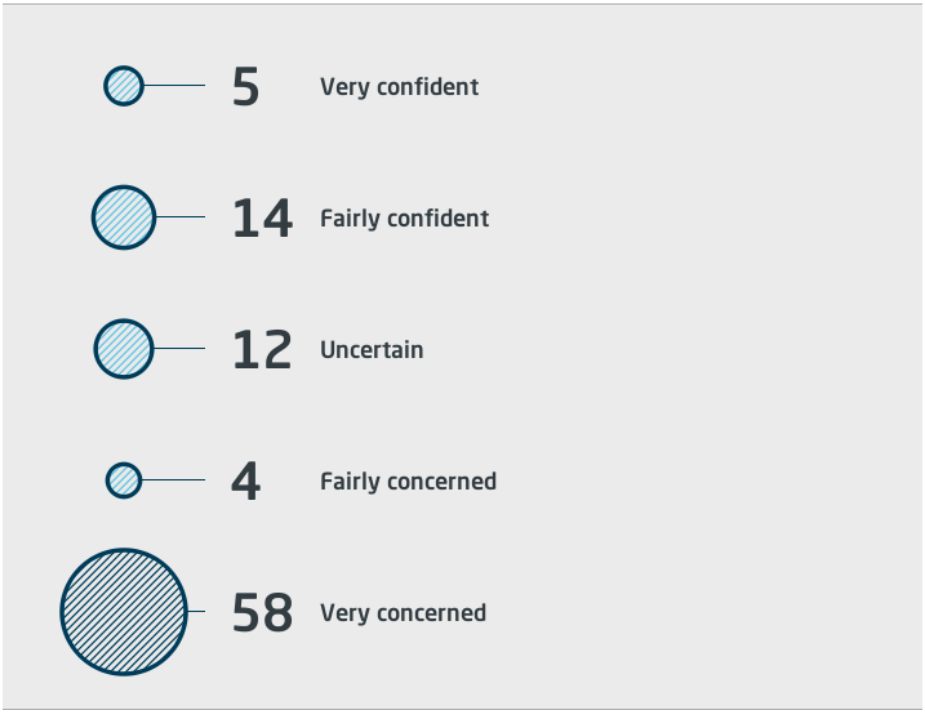
10. The financial state of local health and care economies over the next year

NHS trust finance directors are particularly pessimistic about their trusts' financial position in 2015/16. Just over two-thirds were concerned about balancing their books (Figure 18).

Although slightly more optimistic, around 40 per cent of CCG finance leads felt fairly or very concerned about achieving financial balance in 2015/16 (Figure 19).

NHS TRUSTS

Figure 18: Looking ahead, how confident are you that your organisation will achieve financial balance in 2015/16?



Respondent comments

"'I've never set a deficit budget, nor recorded a deficit in over 20 years. There is so much uncertainty at the moment over the tariff that it's impossible to predict where next year will end up. I am really concerned that the system is forcing delivery organisations deeper into deficit, which means that the important conversations about financing the NHS, system disinvestment and rationing are not happening.'"

– Acute teaching hospital

"'Will not happen!'"

– Acute small/medium-sized trust

"'We've run out of salami to slice beyond the 4 per cent. In such a labour and capital intensive industry, with heavy regulation and the need for skilled staff, the ability to pull rabbits out of hats is limited: look at what happened to agency staff this year."

– Specialist trust

CCG LEADS

Figure 19: Looking ahead, how confident are you that your organisation will achieve financial balance in 2015/16?

Respondent comments

"'CCGs can choose not to invest amounts reserved for non-recurrent purposes/transformation in order to meet their financial targets.'"

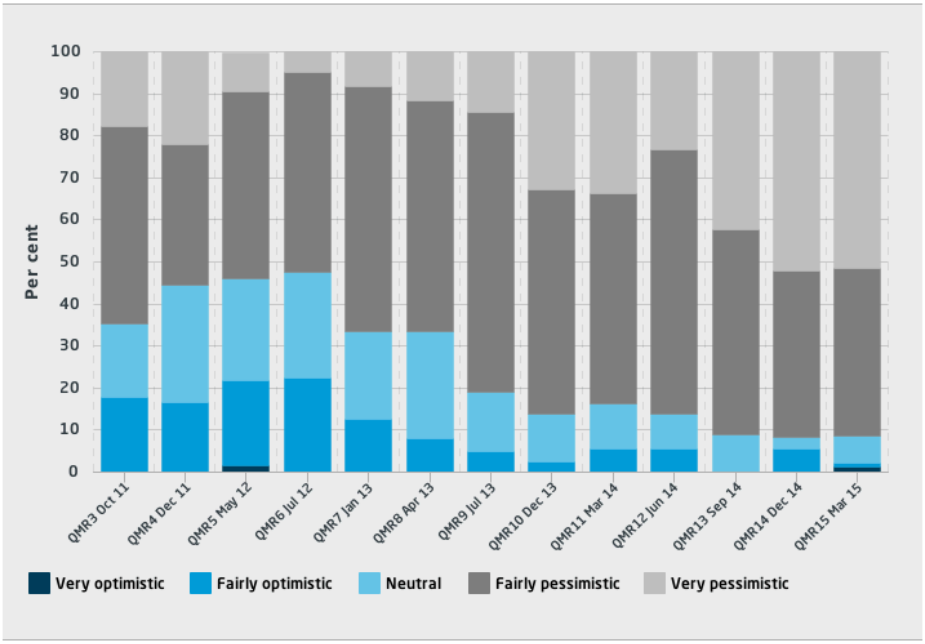
"'Plans feel reasonable; however, turning QIPP and Better Care Fund into reality is a huge risk.'"

"'All main NHS organisations planning for deficits in 15/16 – relatively small percentage but big amounts.'"

As for views about the financial state of their wider local health and care economy over the next year, just over 90 per cent of trust finance directors were fairly or very pessimistic (Figure 20). Similarly, 85 per cent of CCG finance leads felt fairly or very pessimistic (Figure 21), the highest percentage since CCGs were established in April 2013.

NHS TRUSTS

Figure 20: Overall, what do you feel about the financial state of the wider health (and care) economy in your area over the next year?



Question not asked before QMR3. QMR 1-4 based on a panel of 50 trust finance directors.

Respondent comments

"'Both local acute providers forecasting deficit for the first time. Commissioners all citing material activity and QIPP risks. We are confident of delivering next year's plans where these are not connected to whole-systems work... but local authority cuts are severe and definitely starting to bite. Winter 2015 will seem like the glory days!'"

– Community and mental health trust

"'The reduction in the tariff, the pay award, increase CNST premiums and unprecedented demand on the services is putting provider organisations at significant risk.'"

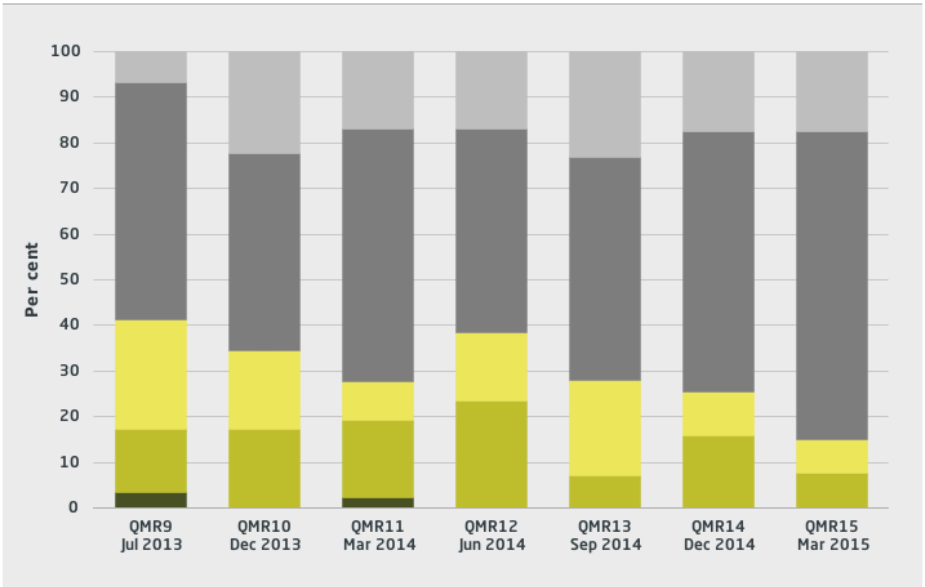
– Acute and community foundation trust

"'Our CCGs are trying to take £5 million out of our contracts for 2015/16. This would immediately put us into special measures as we could not agree to sign up to any performance standards. Commissioning support units are a complete and expensive waste of time - do not understand the services they are commissioning and are a barrier to discussions with CCGs.'"

– Ambulance trust

CCG LEADS

Figure 21: Overall, what do you feel about the financial state of the wider health (and care) economy in your area over the next year?



CCGs only surveyed since their establishment in April 2013.

Respondent comments

"'Although some individual organisations, including the CCG will plan for, and possibly deliver, surpluses, others will be in deficit and these will be bigger numbers... meaning that in aggregate the system is likely to be in deficit.'"

11. References

- Appleby J, Crawford R, Emmerson C (2009). *How cold will it be? Prospects for NHS funding 2011–2017*. London: The King's Fund/Institute for Fiscal Studies. Available at: www.kingsfund.org.uk (accessed on 15 April 2015).
- McKinsey & Company (2009). *Achieving world class productivity in the NHS 2009/10–2013/14: detailing the size of the opportunity*. London: McKinsey & Company. Available at: www.nhshistory.net (accessed on 15 April 2015).
- Monitor (2015). *Quarterly report on the performance of the NHS foundation trust sector: 9 months ended 31 December 2014*. London: Monitor. Available at: www.gov.uk (accessed on 30 March 2015).
- NHS England (2015). *Consolidated 2014/15 financial report (month 10)*. Paper PB.150326/13A for Board meeting, 26 March 2015. Available at: www.england.nhs.uk (accessed on 30 March 2015).
- NHS Trust Development Authority (2015). *NHS trust service and financial performance report for the six month period ending 31 December 2014*. Paper D for Board meeting, 19 March 2015. Available at: www.ntda.nhs.uk (accessed on 20 March 2015).

1. NHS performance dashboard

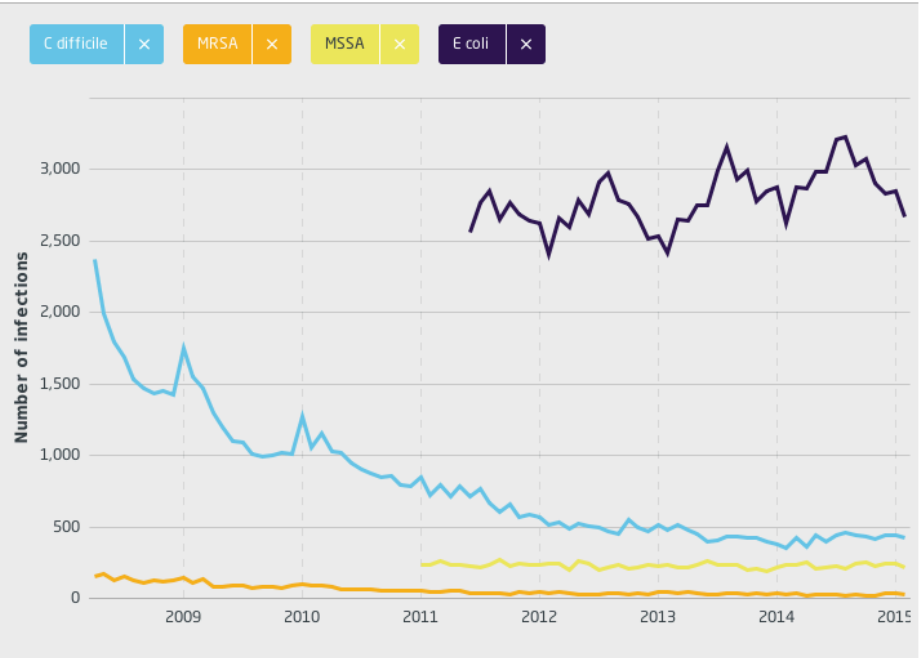
There are thousands of possible statistics available to measure the performance of the NHS. Here, we have selected a small group that reflect key issues of concern to the public and patients as well as providing some indicative measures of the impact of tackling the productivity and reform challenges confronting the NHS.

2. Health care-acquired infections

Numbers of *C difficile* infections decreased over the latest quarter, from 442 in December 2014 to 424 in February (Figure 22). And the number of MRSA infections continues to be low; in February 2015 there were 28.

The number of reported *E coli* infections continues to be subject to large seasonal variations. In the latest quarter numbers reduced further – an expected seasonal pattern over the winter months.

Figure 22: Monthly counts of selected health care-acquired infections



Data source: Clostridium difficile infection: monthly data by NHS acute trust http://www.gov.uk

Monthly counts of methicillin resistant Staphylococcus aureus (MRSA) bacteraemia by post infection review (PIR) assignment http://www.gov.uk

Monthly counts of trust apportioned methicillin susceptible Staphylococcus aureus (MSSA) bacteraemia by NHS acute trust http://www.gov.uk

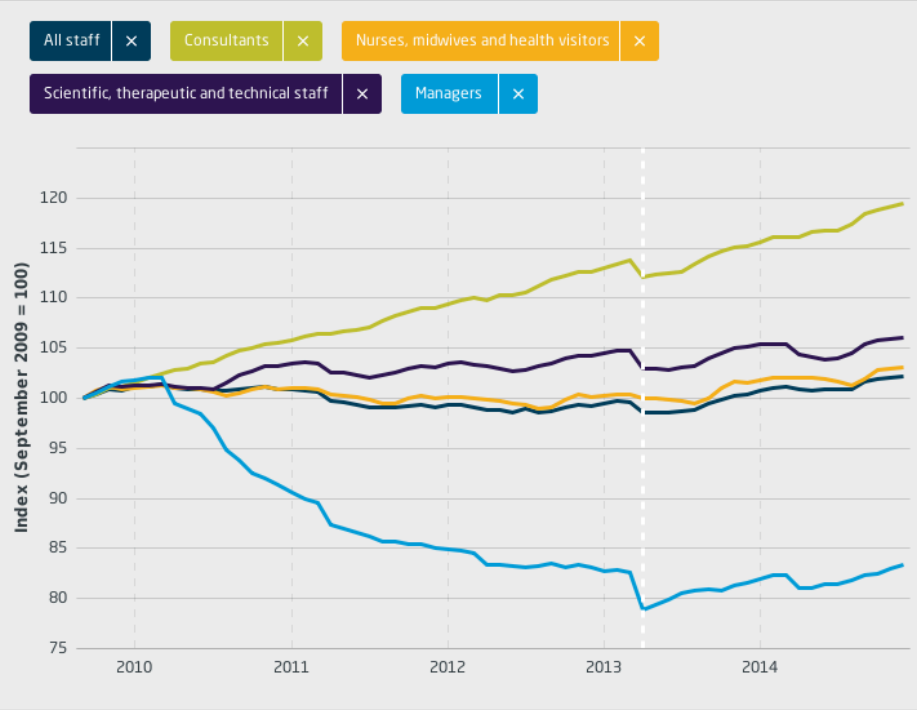
Monthly counts of Escherichia coli (E coli) bacteraemia by NHS acute trust http://www.gov.uk

3. Workforce

The total number of full-time equivalent (FTE) staff working in hospital and community health services (excluding, for example, general practitioners) was just over 1.07 million in December 2014. Though down on the previous month, this is still the second highest number since this data was reported in September 2009.

Since September 2009, there has been an increase in all staff of more than 23,176 FTE posts (2.2 per cent) (Figure 23). There has been an increase in the numbers across all staff groups except for managers. Consultant numbers have increased by more than 19 per cent; scientific, therapeutic and technical staff by 6 per cent; nurses, midwives and health visitors by 3 per cent. The number of managers has decreased by more than 16.5 per cent – although there has been a slow increase since April 2013.

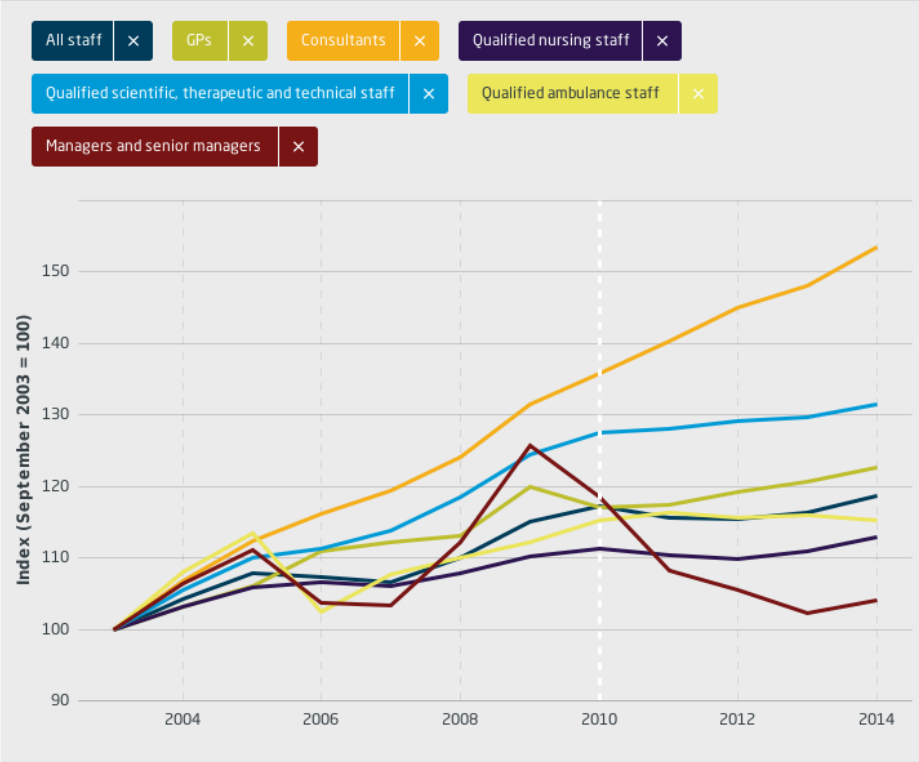
Figure 23: Index change in NHS full-time equivalent staff: September 2009 - December 2014



Data source: Monthly NHS Hospital and Community Health Service (HCHS) Workforce Statistics in England - December 2014, Provisional statistics www.hscic.gov.uk

The latest annual count of all personnel working in the NHS provides a longer historic view on the change in staff numbers (and also includes general practitioners). Since 2003 there have been increases across all NHS staff groups and GPs. Notable is the consistent 4 to 5 per cent annual average growth in the number of consultants and the erratic changes in the number of managers (Figure 24). Although numbers in all groups increased in 2014, the number of ambulance staff fell by just under 1 per cent.

Figure 24: Index change in hospital and community health service full-time equivalent staff, Annual census: September 2003 - September 2014



Data source: General and Personal Medical Services, England - 2004-2014, As at 30 September www.hscic.gov.uk

4. Waiting times

Having been reinstated in December 2014, contractual penalties for missing referral-to-treatment waiting times performance standards were dropped in 2015 as part of a 'managed breach' policy to deal with patients still waiting to be seen and waiting over 18 weeks.

The latest figures reflect this policy, with waiting times for both non-admitted (outpatient) and admitted (inpatient) patients breaching in February 2015 (Figure 25).

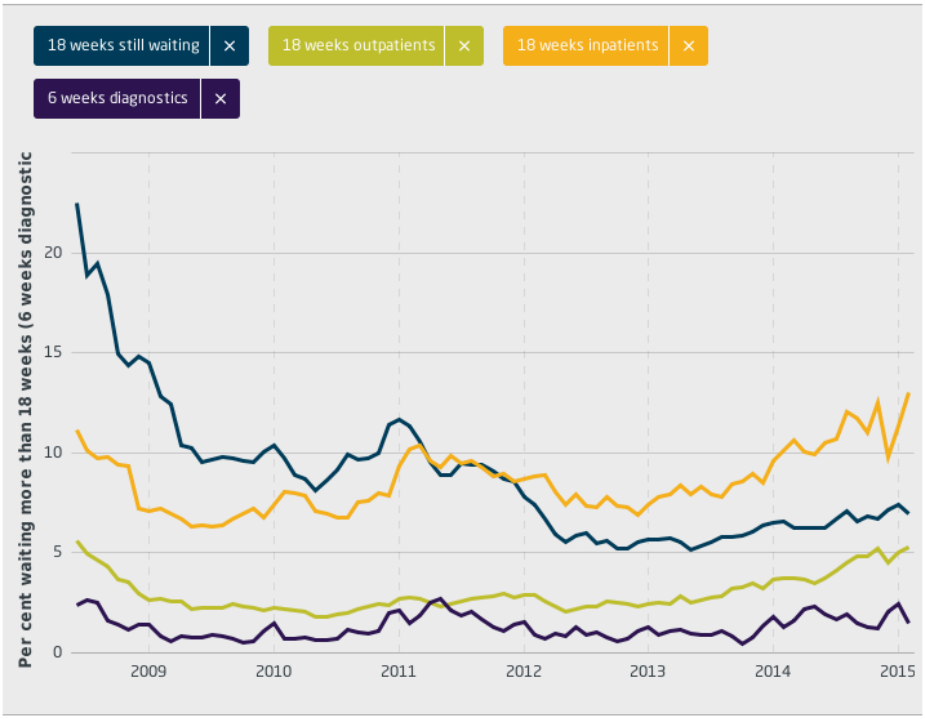
The proportion of admitted patients waiting longer than 18 weeks rose to 13 per cent, the highest since this target was introduced.

The proportion of non-admitted patients waiting more than 18 weeks rose to 5.3 per cent. This is the third breach of the non-admitted referral-to-treatment (RTT) target in the past four months.

The number of patients still waiting to begin their treatment (both admitted and non-admitted) reduced to 6.9 per cent, which suggests the managed breach is having some positive impact.

The proportion of patients waiting more than 6 weeks for a diagnostic test has now missed its target (1 per cent) for the past 15 months in a row.

Figure 25: Percentage still waiting/having waited more than 18 weeks (more than six weeks for diagnostics)

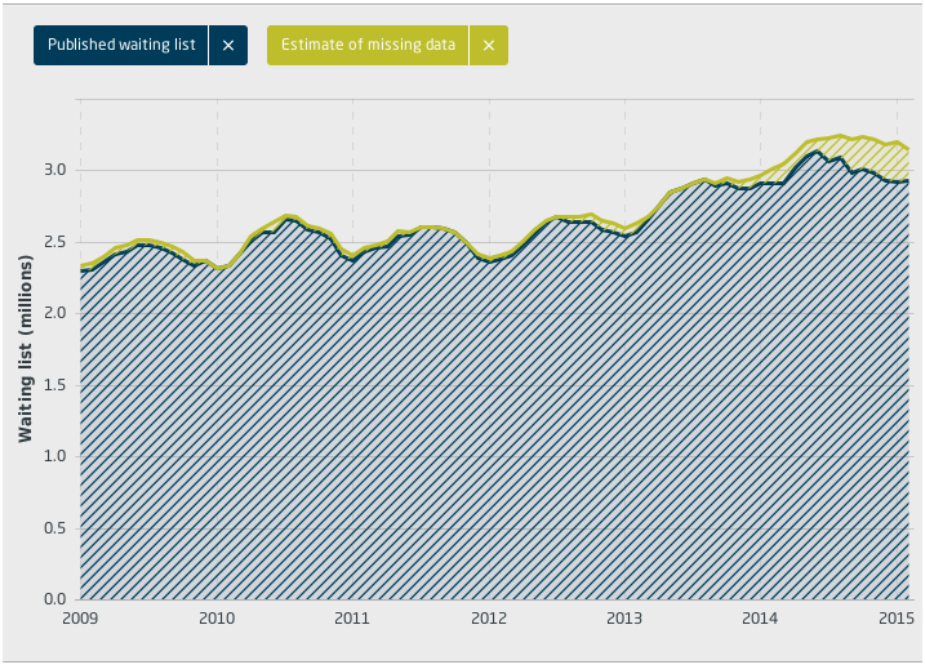


Data source: Referral-to-treatment waiting times statistics www.england.nhs.uk

Diagnostic waiting times statistics www.england.nhs.uk

The total elective waiting list has remained below 3 million for the past 4 months. However, a number of trusts have not submitted data for several months, and NHS England predicts the true waiting list in February 2015 to be around 3.1 million given (Figure 26).

Figure 26: Referral-to-treatment total waiting list size in millions, England

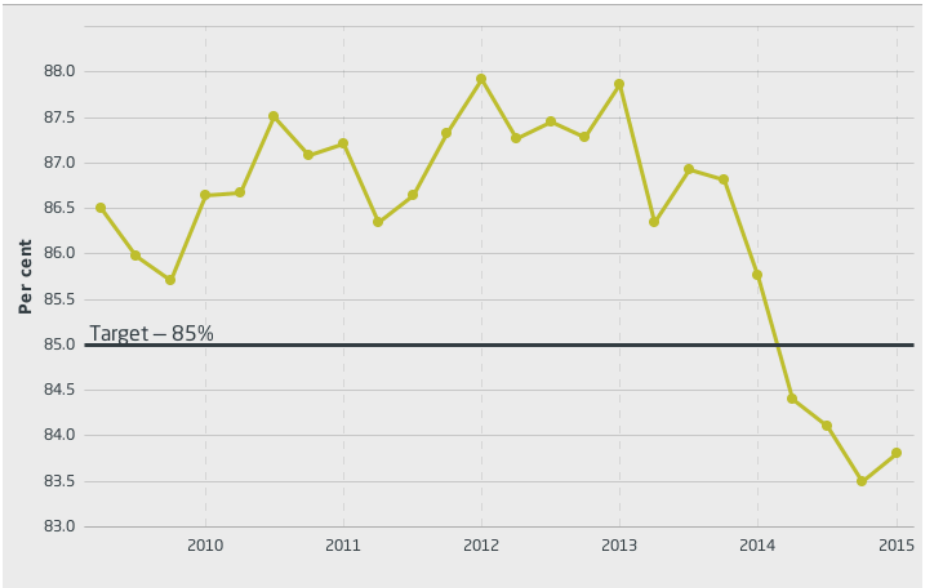


Data source: Referral-to-treatment waiting times statistics www.england.nhs.uk

The standard for a maximum 62-day wait from urgent GP referral through to first treatment for cancer is useful to monitor as it measures how well the whole cancer pathway is able to respond to the demands placed on it.

The standard is that 85 per cent of patients receive treatment for their cancer within 62 days of urgent referral from their GP. This had been met since quarter 4 2008/9, but not since quarter 4 2013/14. In the latest quarter (October to December 2014) performance improved to 83.8 per cent, but this is still the second lowest on record (Figure 27).

Figure 27: Maximum 62-day wait for first treatment: all cancers (urgent GP referral to treatment)

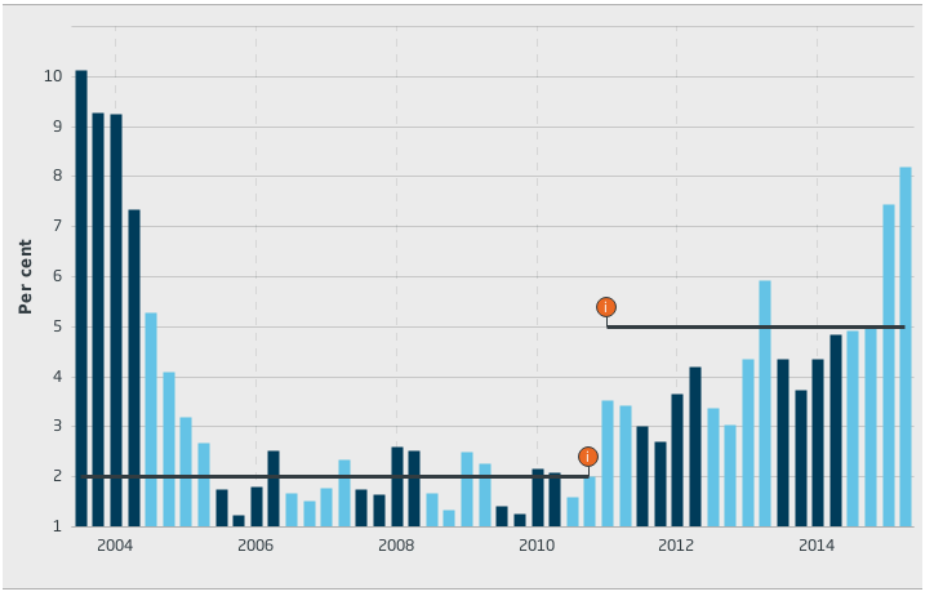


Data source: Provider-based cancer waiting times www.england.nhs.uk

5. Accident and emergency

In quarter 4 2014/15 the proportion of patients waiting more than four hours from arrival to discharge, admission or transfer in all A&E departments was 8.2 per cent (more than 440,950 patients) – a 6 per cent increase on the previous quarter and 69 per cent higher than the same quarter a year previously (Figure 28).

Figure 28: Percentage waiting more than four hours in A&E from arrival to admission, transfer or discharge



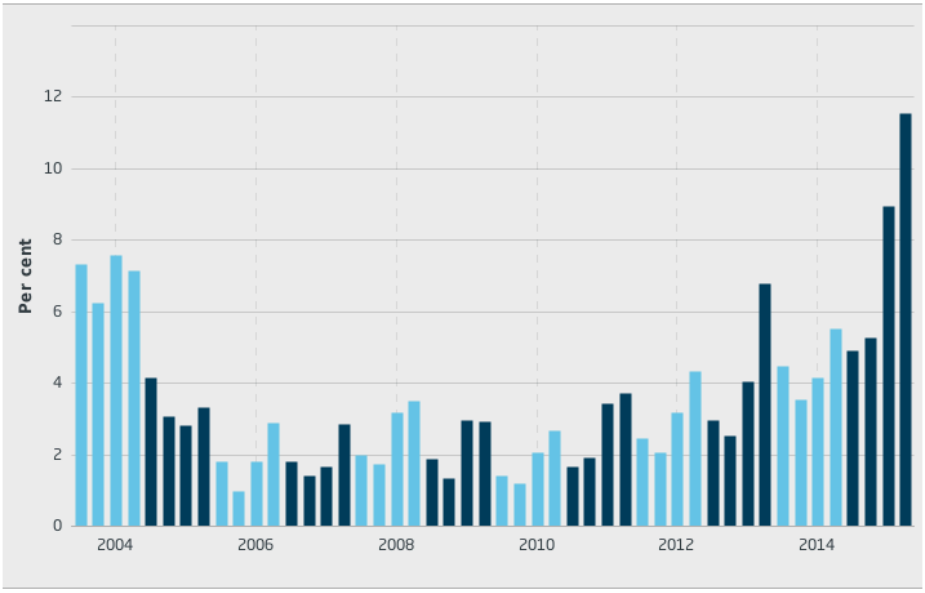
Data source: Weekly A&E SitReps 2014-15 www.england.nhs.uk

For major A&E departments, more than 12 per cent of patients waited more than four hours, and less than 12 per cent of providers achieved the target.

For all providers, 48 per cent missed the four-hour target in the fourth quarter of 2014/15, the second highest seen since this data has been collected.

Alongside attendances, numbers of patients waiting to be admitted into a hospital bed from A&E ('trolley waits') were also much higher in this quarter; 11.5 per cent of patients (114,630 people) waited for more than four hours to be admitted into hospital, the highest for more than a decade (Figure 29).

Figure 29: Patients waiting more than four hours in A&E from decision to admit to admission



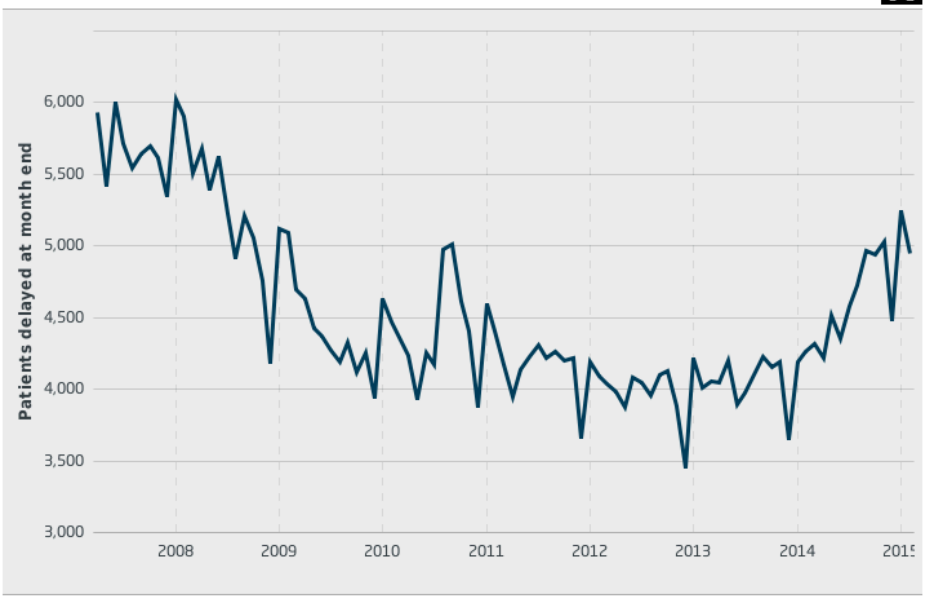
Data source: Weekly A&E SitReps 2014-15 www.england.nhs.uk

6. Delayed transfers of care

At the end of February 2015 there were just under 4,950 patients delayed in hospitals. This was down on the previous month but is still high compared to recent years (Figure 30).

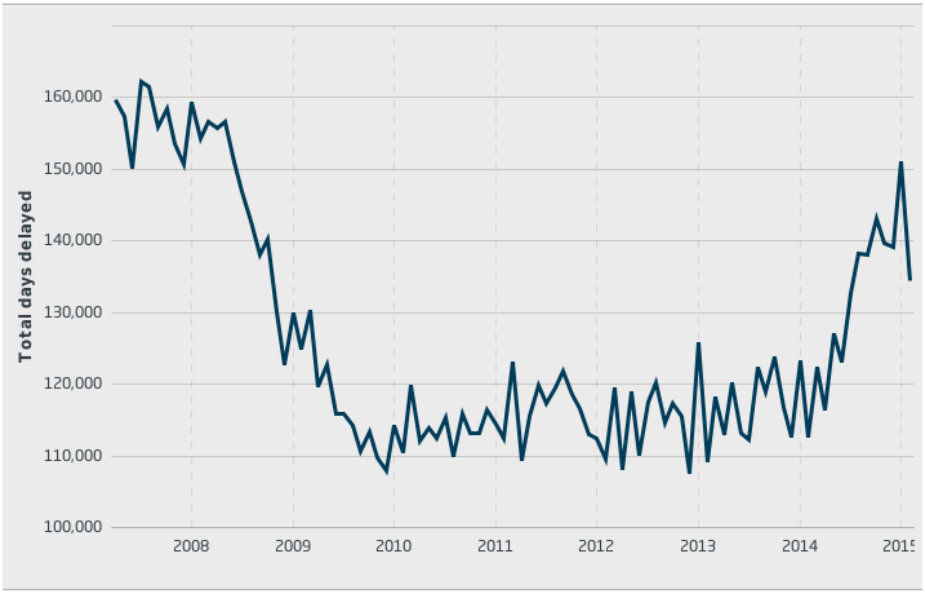
The number of total days delayed decreased to just over 134,500 in February 2015, again a reduction on the previous month but still high compared to recent years (Figure 31).

Figure 30: Delayed transfers of care: Number of patients delayed on last day of month



Data source: Acute and non-acute delayed transfers of care, patient snapshot, 2014/15 www.england.nhs.uk

Figure 31: Delayed transfers of care: Total number of days delayed each month



Data source: Acute and non-acute delayed transfers of care, total days delayed, 2014/15 www.england.nhs.uk

About the QMR

What is The King's Fund's quarterly monitoring report?

Our quarterly monitoring report (QMR) reveals the views of NHS trust finance directors and clinical commissioning group finance leads on the productivity challenges they face, and examines some key performance data for the NHS in England.

It provides a regular update on how the NHS is coping as it grapples with the evolving reform agenda and the more significant challenge of making radical improvements in productivity.

What is different about the digital QMR?

Our first nine issues were produced as longer PDF documents and can be found on The King's Fund website at kingsfund.org.uk/qmrproject. The new QMR features digital versions of the survey results and interactive performance data charts showing the key findings for this quarter.

Where does the data come from?

The quarterly monitoring report combines publicly available data on selected NHS performance measures with views from NHS trust finance directors and clinical commissioning group finance leads. These views are collated through a survey run by The King's Fund data team.

Making the most of the digital QMR

- **Filtering the survey by respondents**

  Filter the survey results by respondent group (financial directors of NHS trusts, financial directors of clinical commissioning groups, and financial directors in social care in applicable quarters) by clicking them on or off at the top of the survey page.

- **Comments from survey respondents**

  Read selected comments from the survey respondents by clicking on the speech bubble

- **Survey charts**

  The area of the bubble in the survey charts represents the value shown. The sizes of the bubbles are comparable between the charts.

- **Sharing and saving charts**

  Share charts on social media sites by clicking on the share logo
  You can also download the charts as images by clicking on the save logo

- **Changing the date range of the NHS performance data charts**

  See the data in a different date range by moving the sliders on the x-axis.

- **Printing the QMR**

  Print the report by clicking on the print icon