NHS financial temperature check
Finance directors’ views on financial challenges facing the NHS in England
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Introduction

This is the eighth in the HFMA’s series of briefings setting out finance directors’ views on the financial issues facing the NHS in England. Directors completed the survey during late October 2017. The briefing draws on the responses of finance directors and chief finance officers (CFOs) of 80 (34%) provider trusts and 56 (27%) clinical commissioning groups (CCGs) from across the NHS.

Key findings

2017/18 is proving to be another very challenging financial year for NHS organisations. Nationally reported performance indicates that both providers and commissioners are facing continuing financial pressures. NHS trusts reported a combined £1.15bn deficit for the first six months of 2017/18 – including £630m from the sustainability and transformation fund (STF) – and CCGs reported a £186m overspend against plan for the first six months of the year.

At quarter two, 87 trusts reported an adverse variance to plan and 152 reported a deficit position. The nationally reported forecast for trusts is a full-year deficit of £623m (after receipt of £1.8bn STF). This is £127m worse than planned. For the 2017/18 year-end 63 trusts (27%) are forecasting an adverse variance to plan and 111 are forecasting a deficit position.³

A total of 83 CCGs reported an overspend against plan at the end of quarter two. Of these, 12 CCGs are forecasting year-end overspends. At month six, CCGs reported an overspend against plan of £186m and a £96m forecast overspend at the year-end.

In the 2017 autumn Budget, £335m additional funding to support winter pressures in 2017/18 was announced.⁵ Although welcome, it is less than half of the quarter two year-end forecast combined provider deficit of £623m and a CCG overspend of £96m. We are yet to hear how and when the additional funding will be released. NHS organisations will have to quickly change their plans if it is to have a significant impact on this year’s winter pressures.

At quarter two, trusts have delivered significant savings of £1.26bn, which is £169m below target. They are forecasting a £210m year-end shortfall against savings plans of £3.7bn. At month six, CCGs reported £1bn efficiency savings, which is less than the plan of £1.2bn. CCGs are forecasting a £443m year-end shortfall against savings plans of £3.1bn.

During the second half of 2016/17, many organisations were able to undertake legitimate one-off measures to improve their financial positions. The scope for the same approach to be taken during 2017/18 is much less. The scale of the challenge to turn round the reported mid-year position and deliver the year-end forecasts should not be underestimated. NHS organisations are delivering more care to patients, but the increase in activity levels has not been matched by increased funding.

Analysis of our survey supports the nationally reported picture, showing:

- 38% of CCG CFOs and 40% of trust finance directors consider the level of risk surrounding their organisation’s 2017/18 financial plan to be high.
- 56% of CCGs CFOs and 65% of trust finance directors believe that their organisation’s 2017/18 control total is less achievable than their 2016/17 control total.
- Finance directors cite the greatest threats to financial balance as the non-achievement of savings programmes, agency staff costs, anticipated winter pressures, increased demand

¹ CCGs use the terminology ‘chief financial officer’ (CFO), whereas NHS trusts and NHS foundation trusts (FTs) generally use ‘finance director’. In this briefing we sometimes use the term ‘finance director’ to mean both finance directors and CFOs together when describing the views of all our survey respondents collectively

² We have used the term ‘trust’ to mean NHS trusts and NHS foundation trusts collectively


⁴ CCGs work under a different financial regime to NHS trusts and NHS foundation trusts, which makes direct comparison of their financial performance difficult. CCG financial performance is reported against what was planned and business rules set out by NHS England apply. CCG allocations include their brought-forward surplus or deficit positions, and the plan will include agreed changes to the brought-forward position. Trusts’ performance is based on in-year income and expenditure

and delayed transfers of care. CCGs also cite key risks as prescribing costs and continuing healthcare.

- 71% of CCG CFOs and 66% of trust finance directors are not confident that their organisation’s recurrent savings plans will be delivered. While this position is similar to that reported this time last year, finance directors are more pessimistic, compared with last year, about non-recurrent savings. 39% of CCG CFOs and 33% of trust finance directors are not confident about their non-recurrent savings plans.

- 54% of CCG CFOs and 69% of trust finance directors believe there is a medium or high financial risk from leaving the European Union. The main areas of concern are the recruitment and retention of staff, general cost of inflation and increased drug costs.

- Finance directors are concerned about the potential financial impact of the 1% pay cap being relaxed, as any additional pay costs have not been included in current financial plans. Over 75% of respondents believe the pay cap should be lifted, but only if it is fully funded. Less than 2% believe it should be lifted if no additional funding is available.

- 94% of respondents are exploring consolidation options to help reduce cost and increase efficiency. The main areas for consolidation, with over 50% of respondents exploring them, are payroll, procurement, human resources, information technology and the finance function.

- 59% of CCG CFOs and 71% of trust finance directors do not expect the additional £2bn social care funding, announced in this year’s spring Budget, to have a material impact.

- Although relationships between organisations in sustainability and transformation partnerships (STPs) are improving, 43% of CCG CFOs and 60% of trust finance directors remain concerned about governance. Alignment of STP decision-making with organisational accountability remains cited as the key governance concern.

- 81% of CCG CFOs and 78% of trust directors are not confident that their STP has the ability to deliver a plan to help close the funding gap by 2021. Key issues raised include the lack of capital for transformation and the differing regulatory approaches.

- 87% of CCG CFOs and 68% of trust finance directors believe that NHS England and NHS Improvement should merge.

- Most respondents think quality will stay broadly the same this year. 21% of CCG CFOs and 15% of trust finance directors think it will deteriorate while 21% of CCG CFOs and 23% of trust finance directors think it will improve. While still relatively few, an increasing number of finance directors think that patient outcomes or patient safety are at risk.

Financial performance

The NHS is continuing to operate under significant financial pressure and no relief is in sight. In 2016/17, the combined provider deficit of £791m (after receiving £1.8bn STF monies) and the CCG overspend of £556m (before allowing for reserve release) reflected a good achievement in the context of a rapidly deteriorating financial position over recent years. However, this position was achieved as a result of a series of one-off measures taken locally, which were legitimate in nature but not necessarily repeatable in future years.

For 2017/18, pressure remains from the growing and ageing population, social care funding cuts, limited funding and capital constraints. The most recent financial reporting from NHS England and NHS Improvement show that:

- NHS trusts reported a deficit of £1.15bn for the first six months of 2017/18, which is £143m greater than the planned deficit at this stage of the year. This position is after the addition of £630m STF monies, of which £292m is currently unallocated. This is a deterioration of £503m compared with the 2016/17 quarter two deficit of £648m, at which point the sector was £22m behind its plan. A total of 152 (65%) trusts reported a forecast deficit at the end September 2017, compared with 142 (60%) at the same time last year. 87% of CCG CFOs and 68% of trust finance directors believe that NHS England and NHS Improvement should merge.

- The forecast year-end position for trusts shows 63 providers with an adverse variance to plan, a reduction of 24 compared with those reporting an adverse variance deficit at the end of September 2017. In total, 111 trusts are forecasting a year-end deficit position, compared with the 152 reporting a deficit position for the first six months of 2017/18. Overall, the full year-end deficit forecast is £623m, some £127m worse than planned. This compares with a forecast deficit for the 2016/17 year-end at the same time last year of £669m.

- CCG financial performance at month six is behind plan. CCGs are reporting a combined overspend of £186m (0.5% of plan)

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against their plans for the first six months of the financial year. This compares to £236m overspend (0.6% of plan) at month six last year. The year-end forecast sees the CCG overspend reduced to £96m.

- 83 CCGs reported an overspend against plan at the end of quarter two. Of these, 12 CCGs are forecasting year-end overspends. At month six, CCGs reported an overspend against plan of £186m and a £96m forecast overspend at the year-end.
- CCG plans include non-recurrent investment expenditure – £360m is currently uncommitted in order to provide a contribution to a system risk reserve to support the wider health system if required.

The financial performance reported by NHS Improvement and NHS England shows that the financial pressures are continuing to build. Trusts delivered £1.26bn of savings through cost improvement programmes in the first six months of 2017/18, reducing year to date expenditure by 2.9%. This is further to £3.1bn savings (3.7% of spend) delivered in 2016/17. Despite this level of efficiency, the quarter two position reflects a shortfall of £169m against the ambitious cost savings planned.

Some £961m (76%) of trust savings were based on recurrent schemes compared with a plan of £1.3bn (92%). This is similar to the reported split at the same time last year with £894m (75%) of savings for the first six months of the year recurrent compared with a plan of £1.2bn (91%).

As reported by NHS Improvement, and supported by our survey results, the main reasons for variances against plan have been: the underachievement of savings plans; increases in non-elective cases and lower than planned elective work; delayed discharges and pressure relating to the workforce.

For CCGs, at month six, savings are forecast at £2.7bn (3.3% of allocation). This represents a 34% increase compared to 2016/17.

Our survey shows that 38% of CCG CFOs and 39% of trust finance directors are forecasting a worse 2017/18 year-end outturn than their organisation’s 2016/17 position, as shown in Chart 1. Of the respondents, 13% of CCG CFOs and 44% of trust finance directors are anticipating ending the financial year in a better position. However, 56% of CCG CFOs and 65% of trust finance directors believe that their 2017/18 control total is less achievable than their 2016/17 control total.

Savings requirements are exceptionally demanding. National bodies recognise that they are high risk, with fewer non-recurrent solutions available and a greater proportion of cost improvement savings weighted in the second half of the financial year. The second half of 2017/18 is going to be very challenging.

In advance of the autumn Budget, the Nuffield Trust, the Health Foundation and the King’s Fund highlighted an NHS funding gap of £4bn in 2018/19. The autumn Budget contained a funding commitment of an additional £2.8bn for the NHS in England – £335m in 2017/18, £1.6bn in 2018/19 and the balance in 2019/20. Although welcomed, this falls short of the level of investment that had been called for to meet the current demand for NHS services. It is also not clear whether this funding is recurrent.

NHS organisations have again developed challenging plans for 2017/18, many of which were deficit plans. The majority of NHS organisations are forecasting that by the 2017/18 year-end their financial performance will be the same or better than planned at the beginning of the year. However, 18% of trust finance directors and 23% of CCG CFOs expect their year-end financial position to be worse than their original plan. Only 10% of trust finance directors and 9% of CCG CFOs expect their year-end financial position to be better than planned.

Trust finance directors reported that the main causes of the variances between their forecast and 2017/18 plan were: under achievement of savings plans (64%); increase in agency costs (40%); increase in the use of escalation beds (39%); increase in clinical pay costs (36%); and delayed transfers of care (36%).

Chart 2 summarises the main responses.

Meanwhile, CCG CFOs reported different drivers for the variations between forecast and 2017/18 plan. The most common reasons cited were: underachievement of savings plans (70%); increases in prescribing costs (61%); increases in planned acute contract costs (52%); and increasing continuing healthcare costs (43%). Chart 3 summarises the main responses.

Since we carried out our survey, we are hearing that some CCGs are experiencing an increase in prescribing costs due to low stocks of generic non-branded drugs and therefore CCGs are picking up the increased cost of branded medicines. This is not reflected in the position above or the quarter two year-end forecasts.
Financial risk

Finance directors continue to highlight the significant level of risk with their organisation’s financial plans. Some 79% of CCG CFOs and 83% of trust finance directors believe there is a medium or high risk of non-delivery of their 2017/18 financial plans.

The significant areas of risk remain consistent with previous surveys. The top risk for both CCGs (70%) and trusts (69%) is the slippage of cost savings programmes. Among providers, agency staff costs (50%), anticipated winter pressures (46%), delayed transfers of care (36%) and increased demand for services (36%) are further key risk factors. For commissioners, the top risks are an increase in emergency care activity (55%), prescribing costs (52%), demand for services (52%) and continuing healthcare (52%).

Looking further ahead, 59% of CCG CFOs and 70% of trust finance directors are not confident about their 2018/19 financial plans and are planning on making changes to them.

Savings programmes

Following on from the significant savings made by NHS organisations in 2016/17, national figures show a further year of high-level savings required – £3.7bn (4.3% of spend) for providers and £3.1bn (3.9% of allocation) for commissioners.

As Jim Mackay, the chief executive of NHS Improvement, commented at the end of 2016/17: ‘This year, the NHS has achieved the impossible. No healthcare system in the developed world has managed to achieve this level of efficiency.’

Such a high level of efficiency will be difficult to deliver in 2017/18 and the quarter two figures show that NHS organisations are struggling.

We asked respondents about the achievability of their organisations’ 2017/18 financial savings plans, as shown in Chart 4. Of the respondents, 71% of CCG CFOs and 66% of trust finance directors are not confident that recurrent savings plans will be delivered in 2017/18.

Finance directors’ views on the achievability of recurrent savings plans is consistent with last year’s position. Trust finance directors are slightly more confident than CCG CFOs, with 33% very or quite confident, compared with 27% of CCG CFOs.

However, 61% of CCG CFOs and 66% of trust finance directors are very or quite confident that their organisation’s 2017/18 non-recurrent savings plans will be achieved. This is a more pessimistic view when compared with the survey that was conducted at this time last year.

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12 www.improvement.nhs.uk/resources/quarterly-performance-nhs-provider-sector-quarter-4-1617/
The UK leaving the European Union brings further financial risk to NHS organisations. Some 54% of CCG CFOs and 69% of trust finance directors see Brexit as a medium or high financial risk to their organisation (Chart 5).

This reflects a perceived increase in risk since the survey we carried out in July 2017, in which 27% of CCG CFOs and 54% of trust finance directors saw the financial risk posed by Brexit as medium or high.

For CCG CFOs and trust finance directors, the top three areas of financial risk arising from Brexit are: recruitment and retention of staff; general cost inflation; and increased costs of drugs.

Some finance directors also reported concerns about the impact of Brexit on the general health of the economy, and consequently the public funds available for investment in the NHS.
NHS pay cap

We also asked finance directors whether they supported the removal of the 1% NHS pay cap.

Current financial plans do not include funding above the pay cap and so its removal without it being fully funded would add further pressure to the NHS financial position.

While over three quarters of respondents believe the pay cap should be lifted for all staff, only 2% of CCG CFOs and 1% of trust finance directors believe this should happen if no further funding is available (Chart 6).

The 2017 autumn Budget contained a commitment to fund pay awards recommended by the NHS Pay Review Body as part of a pay deal for NHS staff on the Agenda for Change contract.

Any pay deal will be on the condition that the pay award enables improved productivity in the NHS and is justified on recruitment and retention grounds. No such commitment was provided for NHS staff not on Agenda for Change contracts.

Chart 6: Should the NHS pay cap be lifted?

- Yes, for all staff, even if there is no further funding
- Yes, for all staff, as long as it is fully funded
- Yes, for clinical staff only, as long as it is fully funded
- Yes, for staff on lower pay bands only, as long as it is fully funded
- No
Meeting the financial challenges

The challenging savings required, set at £22bn by 2020 in the Five year forward view\textsuperscript{13}, are expected to be found through efficiencies and the redesign of services. The main mechanisms by which both CCG and trusts are planning to meet the financial challenge remain largely in line with those reported in our last survey.

Chart 7 shows that for CCGs the main emphasis is on reducing unnecessary clinical variation; reducing procedures with limited clinical value; integration between health and social care; and integrating or redesigning care pathways.

Chart 8 shows that for trusts the key mechanisms to meet the financial challenge are reducing agency staff costs, procurement costs savings and estates rationalisation.

As in the July survey, it is notable that the focus of savings for CCGs is through management of demand, compared with trusts, which tend to focus more on reducing unit costs rather than activity levels. When asked about the mechanisms being used to meet the challenges for their STP footprint, over 50% of CCG CFOs and trust finance directors cited the integration/redesign of pathways across community, health and acute services and new models of care.

\textsuperscript{13} www.england.nhs.uk/wp-content/uploads/2014/10/5yfv-web.pdf
Carter and consolidation

Some 82% of CCG CFOs and 55% of trust finance directors said they plan on reducing unnecessary clinical variation to help address their organisation’s finance challenges. Lord Carter’s recommendations on how non-specialist acute trusts can reduce unwarranted variation in productivity and efficiency in hospitals aims to support this. Lord Carter estimated that this could save the NHS £5bn each year by 2020/21.14

Asked whether the implementation of the Carter recommendations has had an impact on their finances, 58% of acute providers reported a slight positive impact on finances, 7% a significant positive impact, 33% no impact, and 2% a slightly negative impact.

The increasing development of programmes to support improved operational productivity – such as the Model Hospital, Getting it Right First Time and RightCare – provide important tools for individual organisations to identify and act on unwarranted variation across a range of activities. Much of this is still heavily focused on the acute sector and further development to areas such as mental health, community and specialist services will broaden the impact.

One Carter recommendation was that corporate and administration function costs should not exceed 7% of income by April 2018 and 6% of income by April 2020. To achieve this, 94% of survey respondents are exploring consolidation options such as the use of shared services, outsourcing and collaboration with other organisations. The main areas for consolidation, with over 50% of respondents exploring them, are: payroll, procurement; HR; information technology; and finance. With such large savings requirements, successful and swift implementation of plans is vital.

Social care funding

Some 23% of CCG CFOs and 36% of trust finance directors see delayed transfers of care as a main risk to achieving their organisation’s financial plan. One aim of the £2bn additional funding for social care, announced in the 2017 spring Budget, was to help reduce the delayed transfers of care arising as a result of a lack of appropriate social care arrangements.

No further additional funding was announced in the autumn Budget. This leaves an estimated funding gap for social care of £2.5bn by 2019/20.11

As shown in Chart 9, CCG CFO responses reflect a more positive view than trust finance directors of the impact that the additional funding will have.

However, the majority of both CCG CFOs (59%) and trust finance directors (71%) do not expect it to have a material impact on their organisation’s finances.

Some finance directors commented that the additional money is being used to cover existing shortfalls in local authority spending and therefore not being invested in service improvement to help alleviate delayed transfers of care.

The slightly more positive view from CCGs may reflect their greater level of involvement in spending plans for the additional social care funds. 23% of CCGs have been fully involved in discussions about how the funding should be invested and a further 46% have had some involvement. This compares with 3% of trusts feeling fully involved in discussions and a further 36% having some involvement.

Sustainability and transformation partnerships

STPs are intended to focus on sustainability at the system level by integrated local planning and delivery of services across a system. They are an essential way forward in bringing together all the key players. Our survey found that relationships within STPs are improving. More than 50% of respondents believe there are strong enough relationships between providers and commissioners to deliver the required changes.

Compared with trusts, CCGs have greater confidence in relationships with local authorities and general practices. While more than 50% of CCG CFOs believe that relationships are strong enough with general practices and local authorities to deliver change, only 21% and 25% respectively of trust finance directors agree.

There is least confidence in relationships with the voluntary sector and ambulance trusts – less than 40% of respondents believe that there are strong enough relationships with the voluntary sector and less than 30% believe these are strong enough with ambulance trusts.

Although concerns about STP governance arrangements remain, it is positive to note that they seem to be reducing. In July 2017, 74% of trust finance directors and 60% of CCG CFOs had concerns over the governance arrangements of their STP. Our current survey found this has dropped to 60% of trust finance directors and 43% of CCG CFOs. Although progress is being made in this area, the alignment of decision-making with organisational accountability still remains the key governance concern.

Although STPs are progressing, particularly around developing collaborative relationships and governance arrangements, 81% of CCG and 78% of trust finance directors are not at all or not very confident that their STP has the ability to deliver a plan to help close the funding gap by 2021.

Respondents note that particular concerns over the current regulatory split between NHS Improvement and NHS England and the lack of funding do not support system transformation.

As raised in our previous surveys, there is a scarcity of capital available for organisational and STP plans. In March 2017, Sir Robert Naylor estimated that STP capital requirements might total around £10bn. Although further capital of £325m over three years was announced in the spring Budget, just 13% of CCG and 42% of trust finance directors have identified sufficient capital funding in relation to their organisational capital plan.

Strikingly, only 4% believe that there is enough capital available to support their STP transformation programme. Our survey was conducted before the autumn Budget, which announced an additional £3.5bn of new capital funds.

The differing regulatory approaches taken by NHS Improvement and NHS England has been highlighted as a potential barrier to the effective working of STPs. When we asked if NHS England and NHS Improvement should work more closely, 87% of CCG CFOs and 68% of trust finance directors believe that NHS England and NHS Improvement should merge. A further 9% of CCG CFOs and 25% of trust finance directors think the two organisations should work more closely.

STPs are seen as the vehicle for enabling the level of transformation required to make significant change in the NHS. Comments from finance directors in our survey suggest that progress requires a clarity of message between NHS Improvement and NHS England, increased resources for transformation and improved co-ordination and planning.

Although STPs are progressing, particularly around developing collaborative relationships and governance arrangements, 81% of CCG and 78% of trust finance directors are not at all or not very confident that their STP has the ability to deliver a plan to help close the funding gap by 2021.

Quality

We asked NHS finance directors for their views on the quality of patient care. For the purposes of our survey, we defined quality as ‘services that are patient-centred, safe, effective, efficient, equitable and timely’.

Some 21% of CCG CFOs and 15% of trust finance directors think quality of care will deteriorate during the remainder of 2017/18. This is an improvement on the anticipated position for 2017/18 we reported in our last *NHS financial temperature check* in July. Most respondents continue to think quality will stay broadly the same. Some 21% of CCG CFOs and 23% of trust finance directors expect quality to improve this year.

The picture is similar for 2018/19 – 25% of CCG CFOs and 23% of trust finance directors believe quality will reduce next year. Some 21% of CCG CFOs think quality will improve in 2018/19, compared with 29% of trust finance directors. Responses for each sector for 2017/18 and 2018/19 are shown in Chart 10.

We once again asked finance directors which aspects of service quality are most vulnerable because of the current financial challenges. The most common area identified is waiting times, with 80% of finance directors identifying it as vulnerable. This reflects the NHS Improvement figures for the first six months of 2017/18, showing the number of patients waiting for planned care has reached a record level of over 4.1m.\(^3\)

Respondents to our survey from CCGs and trusts also view access to services, the range of services on offer and rationing of services as most vulnerable. While still relatively few, an increasing number of finance directors think patient outcomes or safety are at risk.

For the first time we asked finance directors about the impact if it was decided to remove the 95% four hour accident and emergency (A&E) target and leave organisations to prioritise patients based on clinical need. Some 44% of trust finance directors thought that it would result in some harm or significant harm to patient care in A&E, 18% thought that there would be benefits to patient care. 55% of trust finance directors thought that their organisation’s financial performance would improve if the target was removed. Some 54% thought that removal of the target would improve their organisation’s ability to direct clinical resources.

What is the financial outlook?

We asked finance directors to tell us the one thing they are currently most concerned about. There were a wide range of responses, reflecting the pressures of working within a health and social care system that has less funding than most of them think is needed. Finance directors’ most common concern is the ability of their organisation to deliver the agreed financial position and at the same time continue to provide high-quality services to patients. Of particular concern is their organisation’s ability to recruit sufficient clinical staff and to deliver planned savings programmes.

There is also concern about the likely impact of winter pressures on already very stretched clinical services and the service’s ability to respond to unforeseen events, such as a major cyber attack.

Many finance directors reported being concerned about the current short-term focus of the NHS. Challenging yearly control totals and savings plans, and managing cash positions, are resulting in short-term decision-making and there is not sufficient capacity for the more strategic focus required to enable service transformation. Alongside this, the lack of non-recurrent revenue funds and capital was frequently given as a reason why there has been a lack of progress with the transformation agenda.

There is no doubt that the additional NHS funding announced in the autumn Budget is universally welcomed, but it will not be sufficient to resolve the financial pressures. Difficult choices will still need to be made about the use of NHS funds.

Finance directors are calling for more openness about NHS resources and what is affordable. Many believe that a public debate about what is affordable is needed. It would also be helpful if decisions on which services are provided by the NHS were taken at a national rather than local level.

Many finance directors are calling for changes to the structure of the NHS, so that the genuine system wide working envisaged by STPs can take place. Some view the separation of commissioners and providers as being unhelpful in the current financial climate.

Alongside this the majority of finance directors wish to see either a consolidation of NHS England and NHS Improvement, or a closer alignment of the messaging and targets from them. This is seen as a key enabler of further system alignment.

Some of the other national changes highlighted by finance directors that would support the achievement of financial and performance challenges were:

- A moratorium on the tendering of services
- A review of funding arrangements
- Full funding of national priorities
- A reduction in the regulatory burden
- Relaxation of targets and removal of patient choice
- A workforce strategy and better manpower planning.

Conclusion

The NHS is under significant financial strain. The recent funding announcements are welcome, but it is not clear whether these funds are recurrent. What is clear is that the additional funds are not sufficient to meet the current demand for NHS services.

The current financial position is placing considerable pressure on finance directors and their staff, who are all working hard to deliver the agreed financial positions. The indications are that it will be more difficult than last year, with many of the one-off measures taken to improve financial performance being exhausted.

Overall, the survey findings provide a clear message that the financial challenge remains significant and the level of risk in 2017/18 and future financial plans remains high. The scale of the recovery challenge cannot be underestimated. Long-term financial sustainability will require significant change and many finance directors are of the opinion that the current NHS structure is not fit for purpose. STPs are developing but capital availability and the alignment of decision-making with organisational accountability remain significant barriers to swift progress.

The autumn Budget contained a contribution towards short-term funding gaps and an increase in capital funds for transformation, which is welcome. But finance directors remain most concerned about delivering the high level of efficiency savings required, workforce gaps and realism over what can be delivered within the existing funding envelope. The pressures continue.
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The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has a particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose’ and effective.

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