



NHS financial temperature check  
December 2016



# The financial temperature check

Our 6th biannual survey of finance directors' views  
on financial challenges facing the English NHS



# NHS financial temperature check



This is the sixth in a series of HFMA 'temperature checks' setting out finance directors' views on the financial issues facing the English NHS.

It draws on the survey responses of **finance directors and chief finance officers (CFOs) of 128 (54%) trusts and 73 (35%) clinical commissioning groups (CCGs) from across the NHS.**<sup>1</sup>

Directors completed the survey during late October and early November 2016.

This infographic highlights the key findings and accompanies the full briefing, available from the HFMA.

1.

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



# Trust 2016/17 financial performance

Trusts reported a deficit of £648m at the end of September 2016. This was £22m worse than planned and includes sustainability and transformation funds of £900m. 60% of trusts are in deficit, compared to 65% at the end of 2015/16.

**2014/15**

reported

£822m  
(Deficit)

**2015/16**

reported

£2,447m  
(Deficit)

**2016/17**

reported position  
as at 30 September

£648m  
(Deficit)

NHS Improvement  
estimate the **deficit** can be  
brought **down to £580m**,  
if **providers meet their  
savings targets** in full  
over the remaining half  
of the year



# CCG 2016/17 financial performance

CCGs reported a combined overspend of £159m against plan at the end of August 2016.  
37% of CCGs are reporting a year to date deficit.

**2014/15**

reported

£151m  
underspend

**2015/16**

reported

£16m  
overspend

**2016/17**

reported position  
as at 31 August

£159m  
overspend

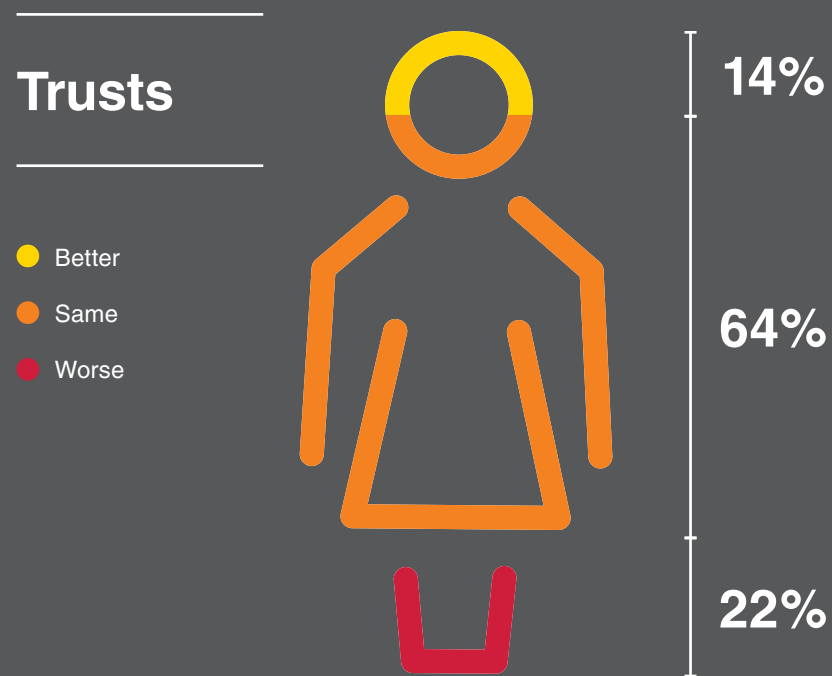
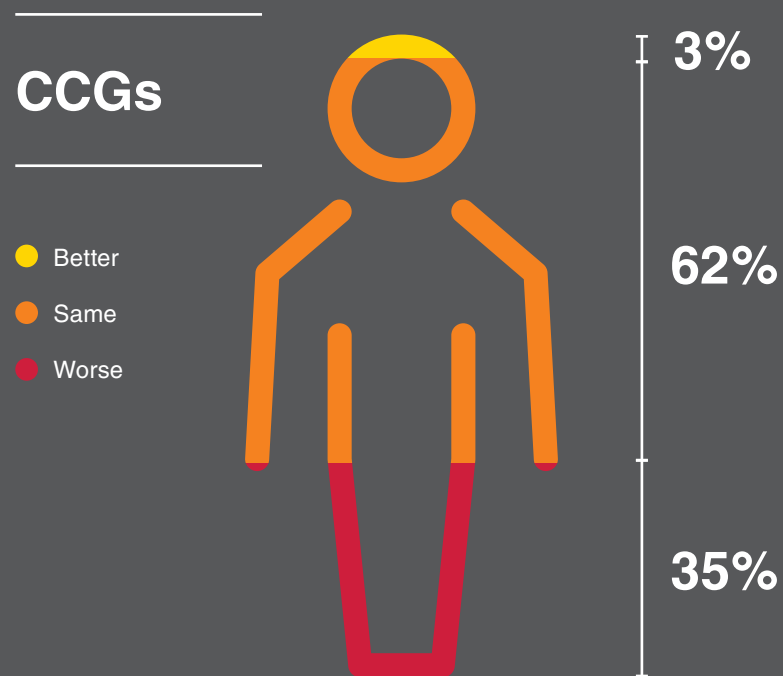
NHS England  
**estimate** that the  
**CCG overspend**  
will be **£88m** at the  
**2016/17 year-end**

CCGs have a different financial regime to trusts and financial performance is not comparable



# Plan variances

65% of CCG CFOs and 78% of trust finance directors are forecasting that their year-end out-turn will be the same or better than planned.



# Causes of variances

Finance directors' views on causes of variances.

## CCGs

82%



Acute contract cost increases

74%



Underachievement of saving plans

74%



Increase in funded nursing care costs

26%



Decreases in fines, challenges & deductions

## Trusts

61%



Underachievement of saving plans

34%



Agency cost increases

24%



Increases in non-pay costs

17%

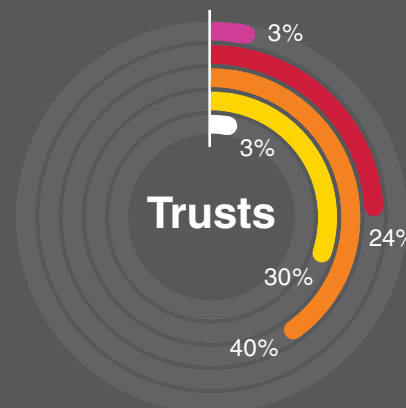
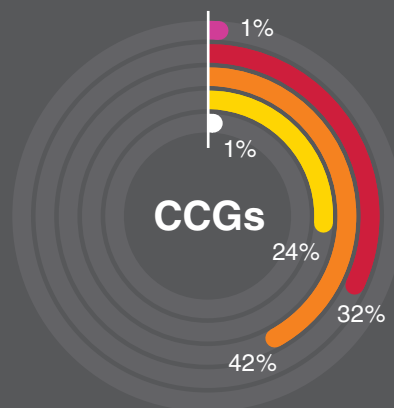


Increases in fines, challenges & deductions

# Savings programmes

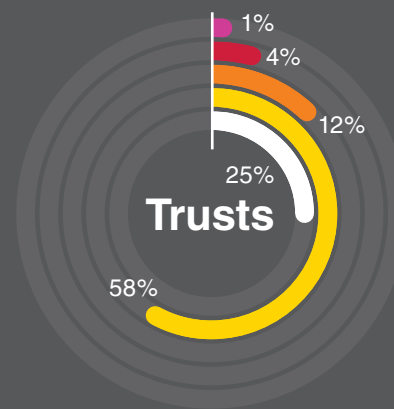
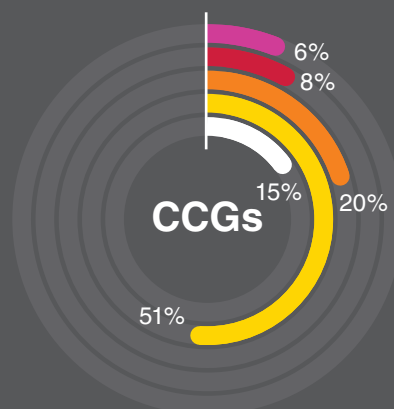
Finance directors' confidence in delivering 2016/17 savings programmes.

## Recurrent savings



Finance directors are more confident about achieving the non-recurrent elements of their plans rather than the recurrent savings

## Non-recurrent savings



- Too early to say
- Not at all
- Not very
- Quite
- Very

# 2016/17 Control totals

Trusts' 2016/17 plans include an agreed control total, which represents the minimum level of financial performance, against which their boards and chief executives must deliver in 2016/17 and for which they will be held directly accountable



**95%**

of trusts have signed up to their organisation's control total



**68%**

of respondents expect their organisation to meet the conditions set

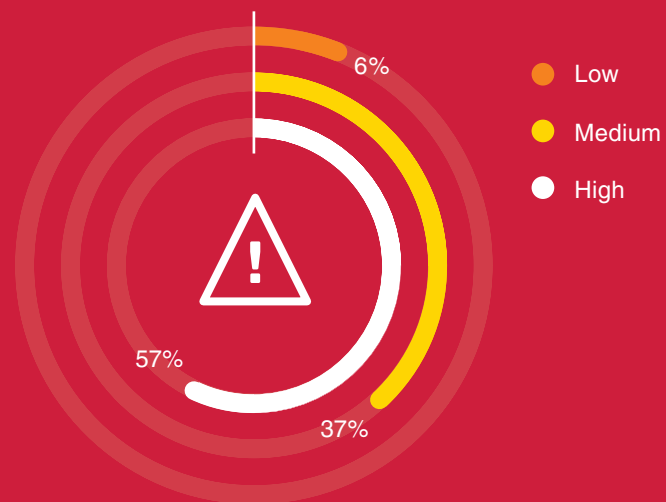
Overall **85%** of respondents think the reset exercise will not lead the provider sector returning to financial balance at a national level in the short-term



# Financial risk

Finance directors think there is a medium to high risk to achieving their financial plans in 2016/17.

## CCGs



## Trusts



# Risk factors

Finance directors' views on the key risks to achieving financial plans.



# Service quality

Finance directors are more pessimistic about quality in 2017/18 than they are about 2016/17.

## CCGs

2016/17 expectation

3%



2017/18 expectation

5%



Quality will improve



Quality will stay the same



Quality will reduce



Don't know

## Trusts

2016/17 expectation

1%



2017/18 expectation

3%



Quality will improve



Quality will stay the same



Quality will reduce



Don't know

# Service quality

Finance directors' views of the most vulnerable aspects of service quality.



# Sustainability and transformation plans

There are 44 Sustainability and Transformation Plan (STP) 'footprints' across England.

**NHS England introduced STPs in its shared planning guidance in December 2015:** 'every health care system in England will produce a multi-year STP, showing how local services will evolve and become sustainable over the next five years'.



58%



of finance directors believe their STP already has clear and effective leadership



20%



of finance directors believe relationships are strong enough to deliver cross-organisational changes



91%



of finance directors believe the relationships between organisations in their STP have either improved or stayed the same

# STP governance and NHS accountability

The majority of NHS finance directors view STP governance arrangements as opaque, whereas their own organisational accountability is clear. Their own organisation takes priority.



72%



of NHS finance directors are concerned about the governance of their STP



62%



of NHS finance directors would prioritise their own organisation over the STP in meeting objectives



48%



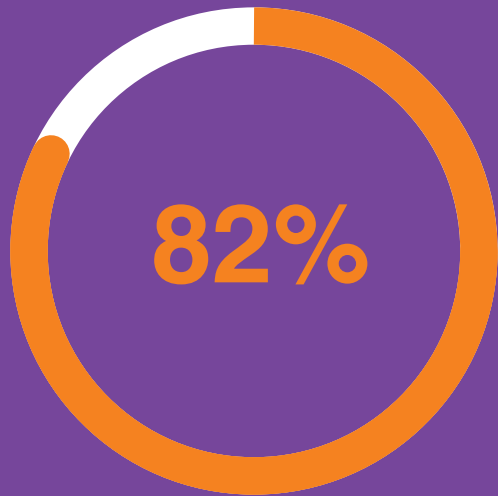
of finance directors are unsure whether both organisational and STP financial objectives can be met

# STP risk management

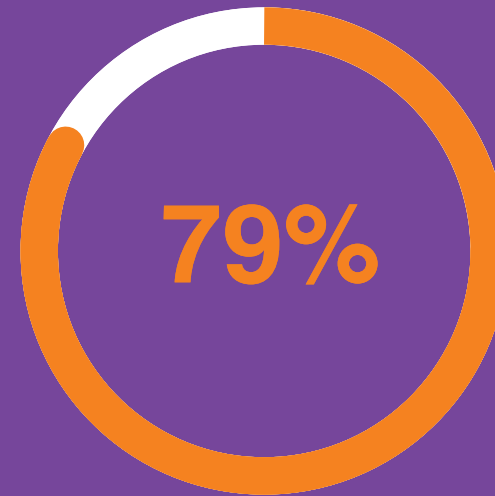
Many NHS finance directors believe the financial risks surrounding the STP process are still to be fully appreciated and properly managed.



# STPs and the regulatory and financial regimes



of finance directors think the regulatory regime needs to change to support the delivery of STPs. There is a perceived overlap between NHS England and NHS Improvement.



of finance directors think the NHS financial regime needs to change to support the delivery of STPs. Many question the continued value of tariff funding within the NHS.

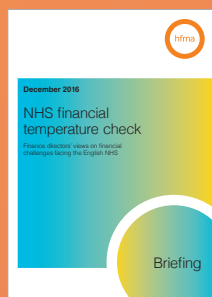


# **Key actions**

We asked respondents to tell us what actions would be of most help in order to tackle the financial challenges they are facing. They cited:

- **Realism on what is affordable and on the level of efficiency gain that can be achieved, coupled with appropriate risk management**
- **Clarity on the accountability and governance of STPs**
- **Changes in NHS regulatory structure and the financial regime to match the shift to STPs**
- **Co-ordinated investment in community and primary care**

Finance directors remain concerned about whether the level of government funding for health and social care is sufficient for what the NHS is being asked to deliver.



The full briefing and a more detailed presentation is available from the HFMA. All sources, assumptions, definitions and references are stated in the briefing.

Please contact the HFMA with any requests to use information or images in this document.

[www.hfma.org.uk](http://www.hfma.org.uk)

## HFMA

1 Temple Way, Bristol BS2 0BU

T 0117 929 4789

F 0117 929 4844

E [info@hfma.org.uk](mailto:info@hfma.org.uk)

Healthcare Financial Management Association (HFMA) is a registered charity in England and Wales, no 1114463 and Scotland, no SCO41994. HFMA is also a limited company registered in England and Wales, no 5787972. Registered office: 110 Rochester Row, Victoria, London SW1P 1JP

HEA.FIN.012 10/16