



# HFMA NHS FINANCIAL TEMPERATURE CHECK

JULY 2016

**The HFMA's 5th biannual survey of finance directors' views on financial challenges facing the English NHS.**



# NHS FINANCIAL TEMPERATURE CHECK

This is the fifth 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 105 (44%) trusts and 82 (39%) clinical commissioning groups (CCGs) from across the NHS.<sup>1</sup>

Directors completed the survey during late May and early June 2016.

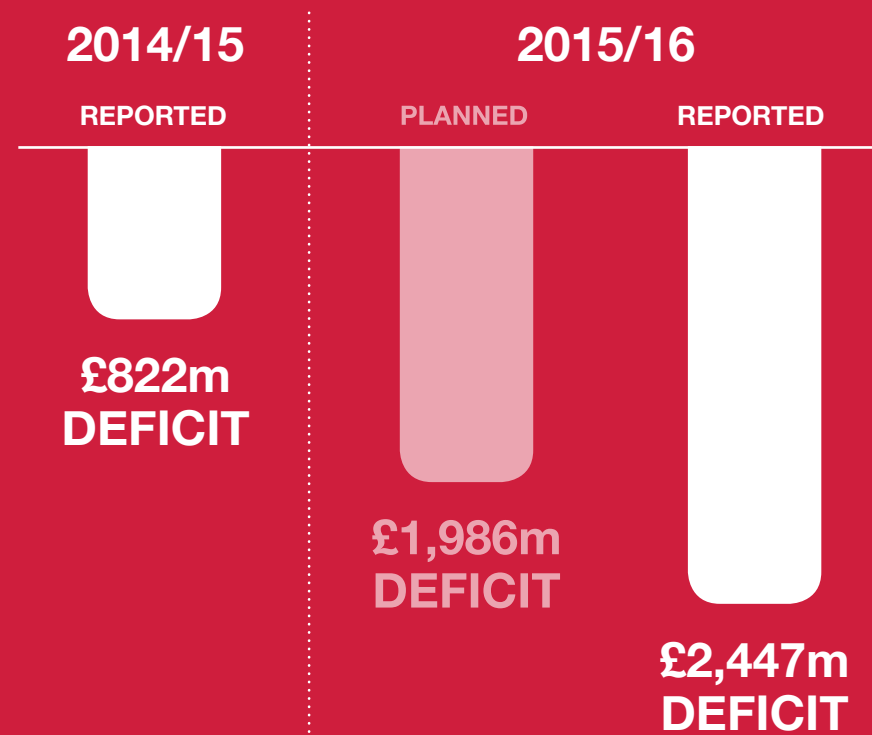
This infographic highlights the key findings and accompanies the full briefing and a more detailed presentation, available from the HFMA.

**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 2015/16 FINANCIAL PERFORMANCE

Trusts reported a combined deficit of £2,447m in 2015/16, £461m worse than plan and almost three times larger than the prior year deficit. 65% of trusts finished the year in deficit, of these 75% were in the acute sector.



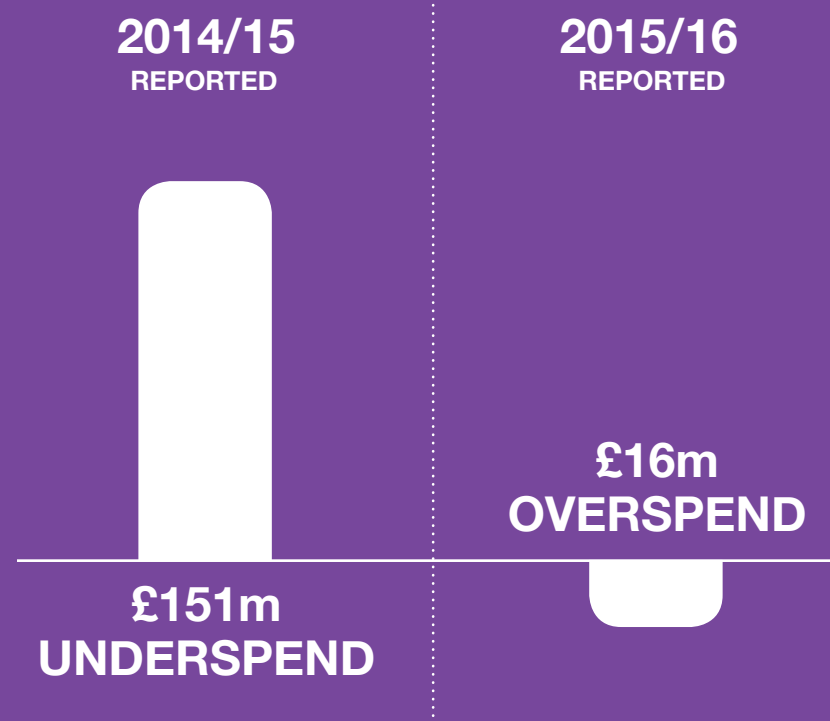
These are the worst financial results in the history of the NHS.



# CCG 2015/16 FINANCIAL PERFORMANCE

CCGs reported a combined overspend of £16m against plan in 2015/16. This combined overspend is relatively small compared to the size of the budget (0.02%). 19% of CCGs overspent in-year.

CCGs HAVE A DIFFERENT FINANCIAL REGIME TO TRUSTS  
AND FINANCIAL PERFORMANCE IS NOT COMPARABLE.



This is the first time that CCGs have collectively overspent.

# PLAN VARIANCES



83% of CCGs reported their outturn as the same or better than plan.

Trusts reported a mixed picture. Many that did better than plan did so with non-recurrent revenue, which may mask underlying issues.

## CCGs



## TRUSTS



# CAUSES OF VARIANCES

hfma

## CCGs

Finance directors' views on causes of variances

60%



Acute contract cost increases

46%



Underachievement of savings plans

40%



Prescribing cost increases

22%



Increases in fines, challenges & deductions

51%



Agency cost increases

33%



Underachievement of savings plans

23%



Increases in fines, challenges & deductions

21%



Increases in income

## TRUSTS

# CONTRACTING ISSUES



Many finance directors believe the 2016/17 contracting round has been the most challenging they have experienced.

**CCGs**



**30%** OF CCGs HAD SIGNED ALL THEIR 2016/17 CONTRACTS

TWO MONTHS  
INTO 2016/17

**TRUSTS**



**18%** OF TRUSTS HAD SIGNED ALL THEIR 2016/17 CONTRACTS



Respondents' main issue was service affordability, leading to protracted negotiations about reducing activity levels between CCGs and trusts.

# CONTROL TOTALS



The Department of Health has created the £1.8bn Sustainability and Transformation Fund (STF) to support overspending trusts. To access it they must meet an agreed 'control total' (set by NHS Improvement) as their year-end financial position in 2016/17, as well as other conditions around service standards.



**63%**

OF TRUST RESPONDENTS  
HAVE SIGNED UP TO  
THEIR ORGANISATION'S  
CONTROL TOTAL.



**60%**

OF TRUST RESPONDENTS  
EXPECT THEIR  
ORGANISATION TO MEET  
THE CONDITIONS SET.

SUPPORT OFFERED TO TRUSTS IN OUR SURVEY RANGES FROM LESS THAN £1M TO OVER £20M

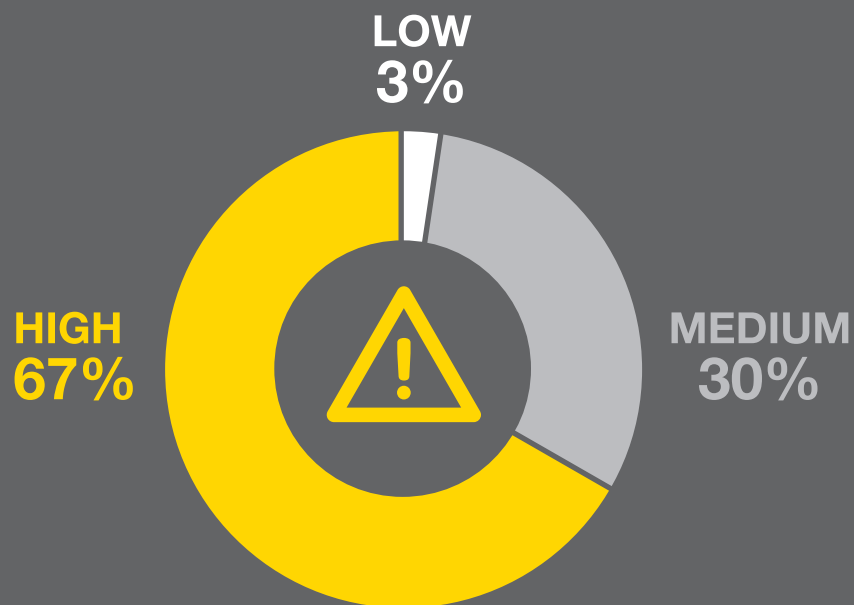


# FINANCIAL RISK

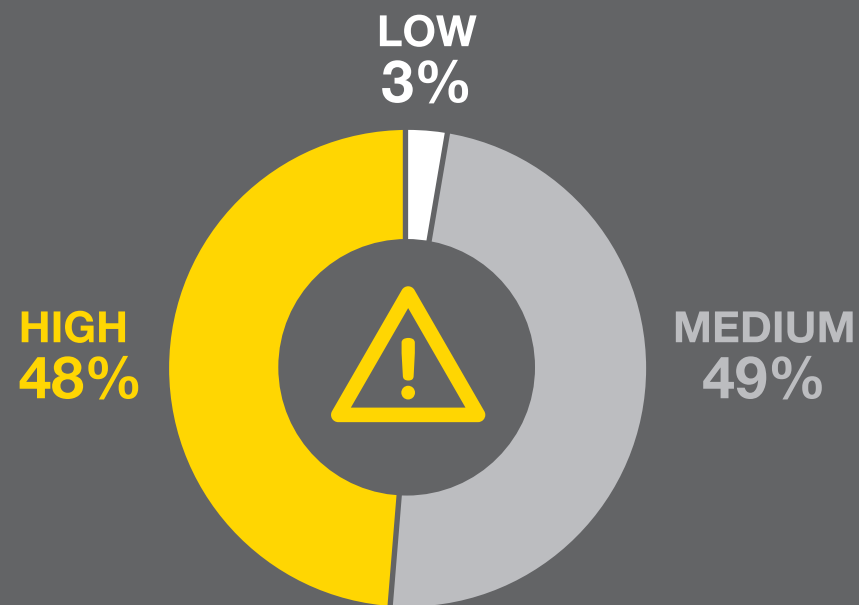


Finance directors think there is a medium to high risk to achieving their financial plans in 2016/17.

## CCGs



## TRUSTS



# RISK FACTORS



## CCGs

Finance directors' views on key risk factors

76%



Emergency care increases

69%



Continuing healthcare cost increases

67%



Rising demand for services

65%



Cost savings slippages

78%



Cost savings slippages

72%



Agency staff spending increases

56%



Social care financial constraints

52%



Rising demand for services

## TRUSTS

# FULL YEAR FORECAST



**CCGs** 49% of CCG CFOs forecast a worse cumulative financial position at the end of 2016/17 than their 2015/16 position.

## TRUSTS

### 2016/17 FORECAST

FINANCE DIRECTORS REPORTING  
A 2015/16 SURPLUS

30%

7%

63%

DEFICIT

BREAK  
EVEN

SURPLUS

FINANCE DIRECTORS  
REPORTING A  
2015/16 DEFICIT

61%

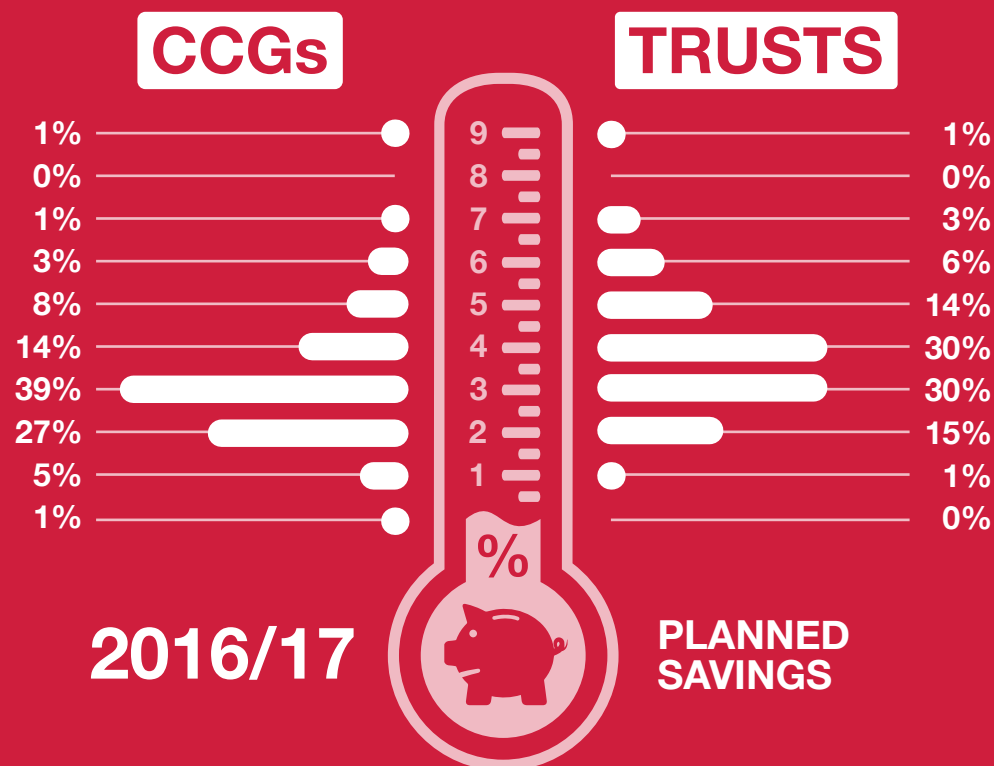
13%

26%

# SAVINGS PLANS



Planned savings for 2016/17 are extremely ambitious when compared with the actual savings achieved in recent years.



**MOST CCGs & TRUSTS ARE PLANNING 2.5% to 4.5% SAVINGS**

63% of CCG CFOs and 79% of trust finance directors are confident about delivering their organisation's non-recurrent savings plans

33% of CCG CFOs and 39% of trust finance directors are confident about delivering their organisation's recurrent savings plans.

# SERVICE QUALITY



Finance directors are more pessimistic about quality in 2016/17 than they were in 2015/16.

2016/17  
EXPECTATION

CCGs

TRUSTS

QUALITY WILL  
IMPROVE

15%



20%

QUALITY WILL  
STAY THE  
SAME

64%



57%

QUALITY WILL  
REDUCE

21%



23%

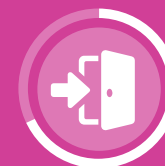
FINANCE DIRECTORS' VIEW OF  
MOST VULNERABLE ASPECTS  
OF SERVICE QUALITY

76%



WAITING  
TIMES

69%



ACCESS TO  
SERVICES

61%



RANGE OF  
SERVICES

A THIRD OF TRUST FINANCE DIRECTORS EXPECT QUALITY TO DECLINE IN 2017/18



# 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 and care system in England will produce a multi-year STP, showing how local services will evolve and become sustainable over the next five years'.



**16%**  
of finance  
directors

are confident that the organisations in their STP footprint can deliver a strategic plan covering the period up to March 2021.



**35%**  
of finance  
directors

believe the relationships between organisations in their STP footprint are strong enough to deliver cross-organisational changes that are required.



**71%**  
of finance  
directors

state it is too early to say whether the STP will result in a fair sharing of financial risk between the organisations in their footprint.

# KEY ACTIONS



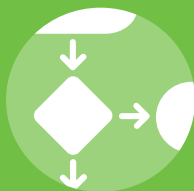
We asked respondents to tell us what actions would be of most help in order to tackle the financial challenges they are facing:



**Working together to address the financial and operational pressures**



**Progressing implementation of STPs through strong leadership and clear lines of accountability**



**Transforming services within organisations and across areas**



**Delivering cost improvement programmes**



**Reducing delayed transfers of care**



**Reducing reliance on temporary staffing solutions**

Finance directors' greatest concern is whether the 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.

**Website:** [hfma.org.uk](http://hfma.org.uk)

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

**Telephone:** 0117 929 4789

**Fax:** 0117 929 4844

**Address:** 1 Temple Way  
Bristol  
United Kingdom  
BS2 0BU