

Annual Plan Review 2013/14

Key findings

COST IMPROVEMENT PLANS



Delivery of cost improvement plans will **continue to be challenging**

Trusts say there is a **dwindling supply of traditional cost saving measures**

There is a continuing gap between **planned** and **actual** delivery:

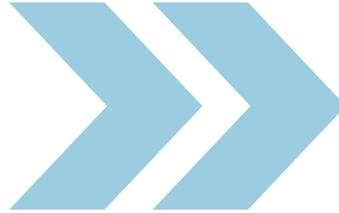
Forecast cost improvement plans for 2013/14 are **3.9%** - compared with plan of **4.3%** and delivery of **3.4%** in 2012/13

We have investigated whether there is a **correlation between cost improvement plans and quality** by examining patient and staff survey data.

We didn't find a **correlation between cost improvement plans and the survey results.**

Key findings

REVENUE AND ACTIVITY



Foundation trusts are forecasting a **1% increase in operating revenue** in 2013/14

In **2014/15** and **2015/16** revenue is **broadly flat**. This compares with historical revenue growth of 5% between 2011/12 and 2012/13

While the sector has historically over-delivered against planned revenue (4% over plan in 2012/13 and 11% over plan in 2011/12), signals of changes in commissioning approach may have an adverse impact

Revenue growth of **0.6%** in 2013/14 is driven partly by revenue generation cost improvement plan schemes.

Key findings

WORKFORCE

The total number of whole time equivalent employees is planned to increase by 2% in 2013/14 due to net increases in consultants (3%), junior doctors (4%), and nurses and midwives (2%)

Increased investment in clinical staff, and particularly senior leaders, is likely to be driven by the Francis report, addressing shortfalls in A&E capacity and Royal College guidance on 24/7 working



Sickness absence has been increasing since April 2011. There is a risk that the sector will be unable to achieve the substantial cost savings they have planned to make by reducing the usage of bank and agency staff.

By contrast, across 2014/15 - 2015/16 there is a planned disinvestment in staff, largely through reductions in nursing numbers (4%). This suggests that the previous year's investment is seen as a short-term fix for operational pressures

Key findings

COSTS

Staff costs account for the majority of foundation trusts' cost base - around 65% of revenue on average

Foundation trusts plan a 2% increase in spending on staff in 2013/14

Subsequent year's staff costs are forecast to fall by 0.5% a year, driven by planned whole time equivalent reductions

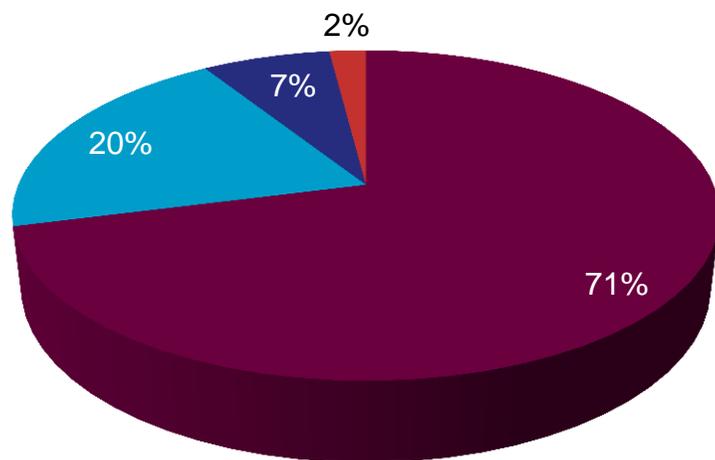


The foundation trust sector's cost position has benefited from the pay freeze across the public sector.

The foundation trust sector

Acute trusts account for **71%** of the foundation trust sector's total operating income

■ Acute trusts ■ Mental health trusts ■ Specialist trusts ■ Ambulance trusts



Large acute trusts

Tend to have higher margin than other acutes and contribute the most surplus

Specialist trusts

Continue to be the most profitable sector

Mental health trusts

Plans tend to be overly prudent. This suggests that the forecast deterioration in margin in 2013/14 may be overstated.

Small and medium acute trusts

Small and medium acute trusts tend to be the most challenged and their plans suggest this is likely to continue both in financial and operational areas

Ambulance trusts

Sector remains relatively strong although cost improvement plans are becoming more of a challenge

Governance Risk Ratings

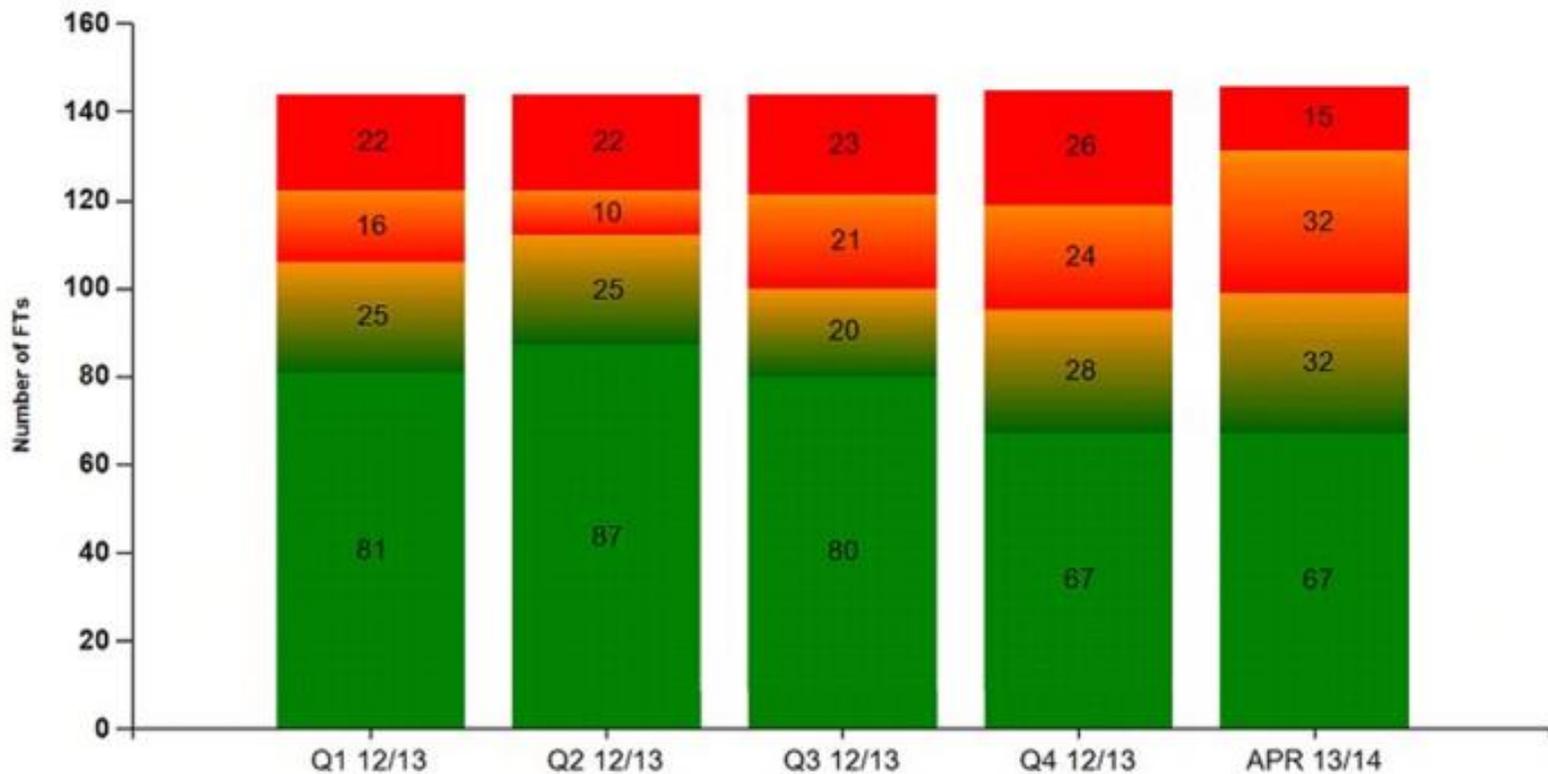
47 trusts are forecasting **amber-red** or **red** rating in 2013/14.

High risk



145 FTs

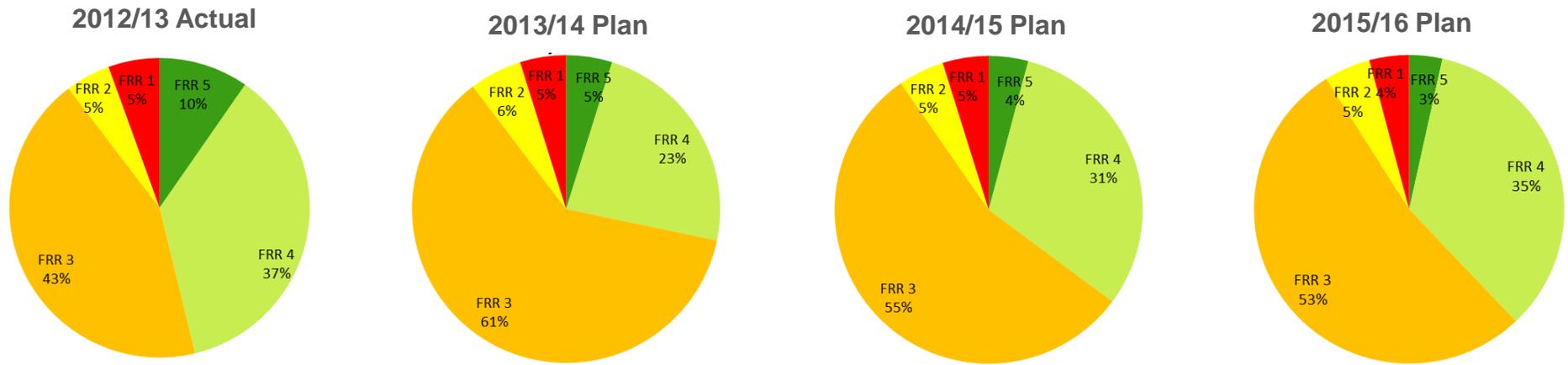
Low risk



Financial risk ratings and continuity of service risk ratings

The decrease in the number of trusts forecasting a financial risk rating of 4 or 5 in 2013/14 may reflect the decline in planned earnings before interest, tax, depreciation and amortisation, and prudent planning by stronger trusts.

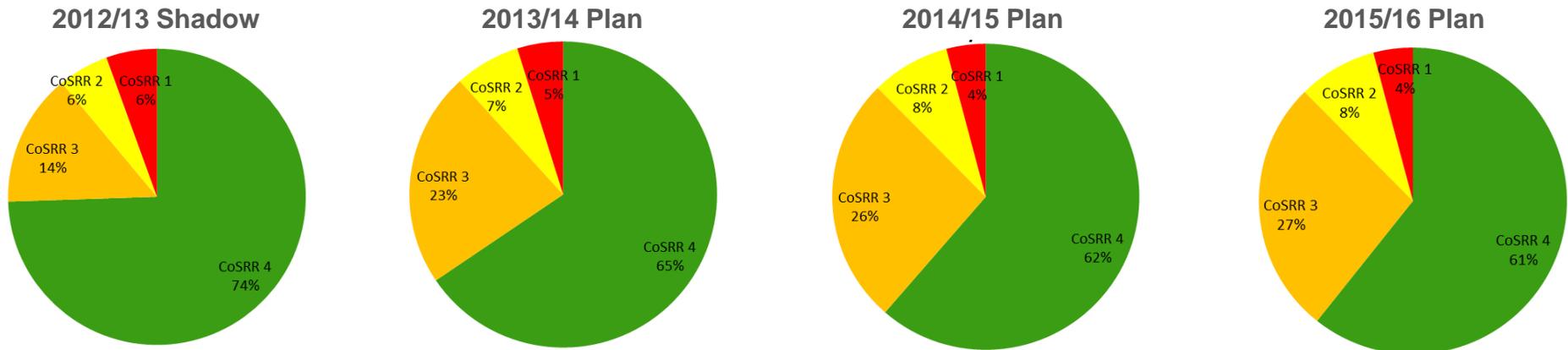
Financial Risk Ratings as at 31 March 2013



Financial risk ratings and continuity of service risk ratings

The increase in the number of trusts forecasting a continuity of service risk rating of 3 reflects a planned fall in liquidity and forecast falls in cash, as substantial capital plans are implemented.

Continuity of Service Risk Rating as at 31 March 2013



Forecast target breaches

Number of NHS foundation trusts forecasting targets at risk in 2013/14

44

**C.difficile
reduction**

23

**Referral to
treatment for
admitted patients**

3

**CQC major
concerns**

1

**Two week wait:
all cancers**

7

**Cancer
62 day wait
from GP referral**

29

**CQC compliance
action outstanding**

37

Time in A&E

10

MRSA reduction

Challenges facing the sector



Maintaining the balance between **quality, access** and **cost**

Ongoing **non-elective pressures** and stretched capacity

Uncertain **commissioning environment** and planned changes to prices

Anecdotal evidence that clinical commissioning groups will take a more **robust approach to quality**

Identification and delivery of transformational **cost improvement plans**

Effective **long-term plans** and planning process

Overcoming **barriers to transformation** and pathway redesign