

**Performance of the
foundation trust
sector**

**6 months ended 30
September 2014**

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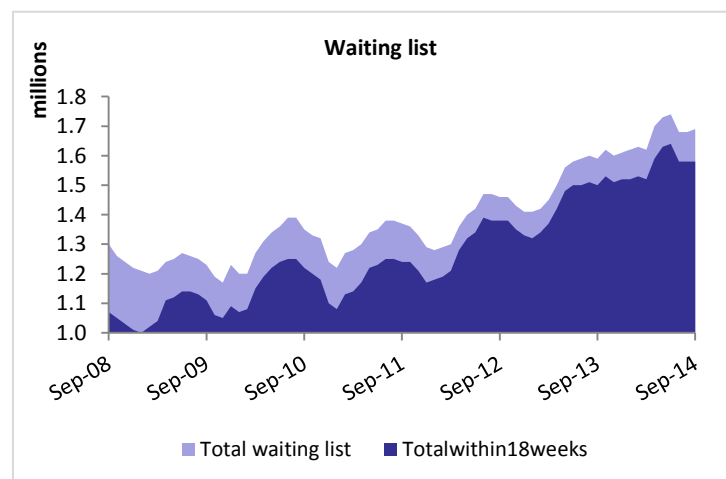
1.0 Performance summary

1.1 Operational summary

Description	Activity	Standard	Q2 2014/15 Performance
4 hour A&E waiting time standard	c. 2.7m attendances	95%	94.9%
18 week waiting time standard: admitted	c. 1.69m referrals	90%	88.10%
18 week waiting time standard: non-admitted		95%	95.53%
18 week waiting time standard: incomplete pathways		92%	93.84%
Cancer standard: 62-day wait for first treatment from GP referral	c. 19,000 referrals	85%	84.1%

A&E performance breakdown

Description	Total Attendances	Q2 2014/15 performance
Type 1 - major A&E	2.10m	93.5%
Type 2 - single specialty	0.08m	99.5%
Type 3 - minor injury unit	0.50m	99.7%



1.2 Financial summary

6 months ended 30 September 2014

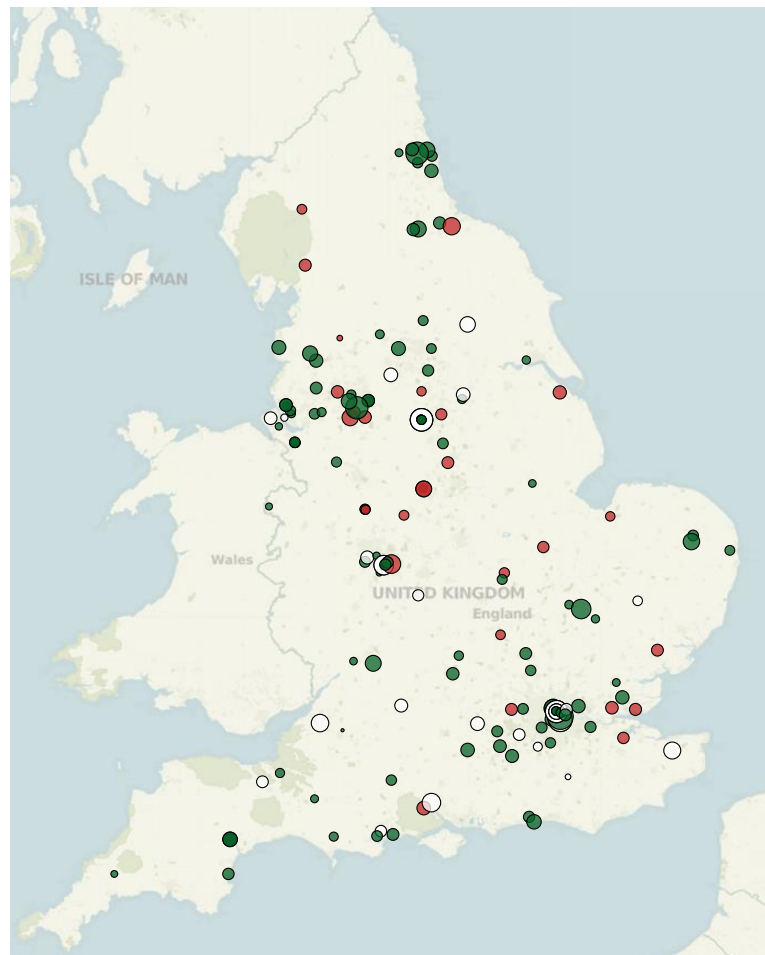
	Number of trusts	Operating Revenue £m	Net surplus £m	Number of trusts in deficit	EBITDA %	GRR red rated trusts	% red rated
Acute	83	15,214	(326)	64	3.1%	23	28%
Mental health	41	4,107	38	9	5.1%	3	7%
Specialist	18	1,506	30	6	6.2%	1	6%
Ambulance	5	450	4	2	5.2%	-	-
Total	147	21,277	(254)	81	3.7%	27	18%

Analysis of Acute sector

	Number of trusts	Operating Revenue £m	Net surplus £m	Number of trusts in deficit	EBITDA %	GRR red rated trusts	% red rated
Teaching	19	6,399	(62)	12	4.4%	3	16%
Large (revenue over £400m p.a.)	6	1,529	1	4	5.1%	2	33%
Medium (revenue £200m-£400m p.a.)	38	5,501	(180)	34	2.0%	11	29%
Small (revenue under £200m p.a.)	20	1,785	(85)	14	0.0%	7	35%
Total	83	15,214	(326)	64	3.1%	23	28%

1.3 Regional summary

Regional analysis



The graph is based on Q2 2014/15 information: foundation trusts by revenue (size) and governance risk rating (Green: no issue identified; Red: breach of provider licence; White: under review).

Regional summary Q2 2014/15

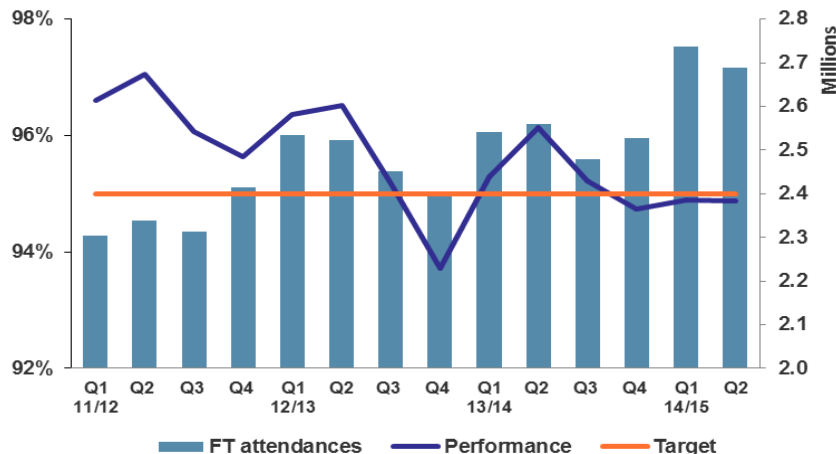
Actual	London 19 FTs	Central 38 FTs	North 33 FTs	South 35 FTs	Total 147 FTs
Operating Revenue (£m)	4,025	4,669	7,931	4,619	21,244
EBITDA %	4.4%	2.3%	4.0%	4.1%	3.7%
Cost improvement programme %	1.9%	2.3%	2.6%	2.4%	2.4%
Net surplus (£m)	(29)	(137)	(31)	(57)	(254)
Net Surplus %	-0.7%	-2.9%	-0.4%	-1.2%	-1.2%

- The net deficit for the sector was £254m at Q2 2014/15, compared to a plan of £59m and Q1 of £167m, and overall 55% of all trusts are in deficit, varying between 47% and 63% in each individual region.
- Regionally the net deficit is distributed: £136m (18 trusts) in the Central region, £57m (22 trusts) in the South, £31m (31 trusts) in the North and £29m (10 trusts) in London.

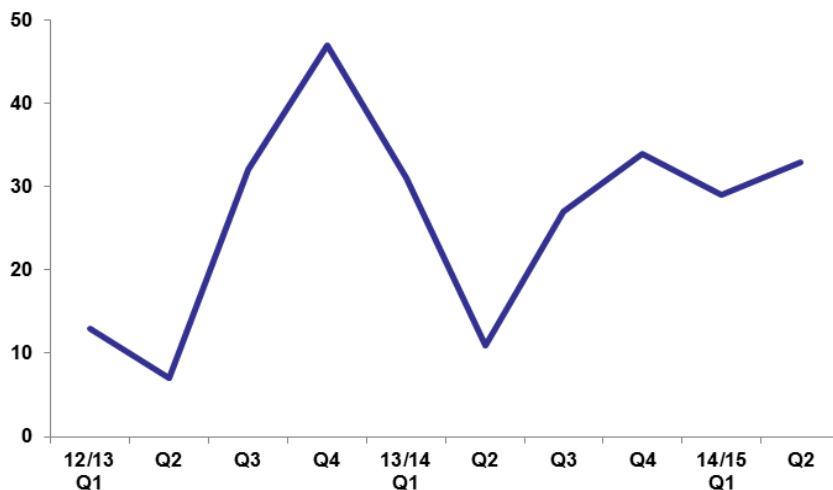
2.0 Operational performance

2.1 Accident & emergency

Percentage of A&E patients seen within 4 hours for all FTs

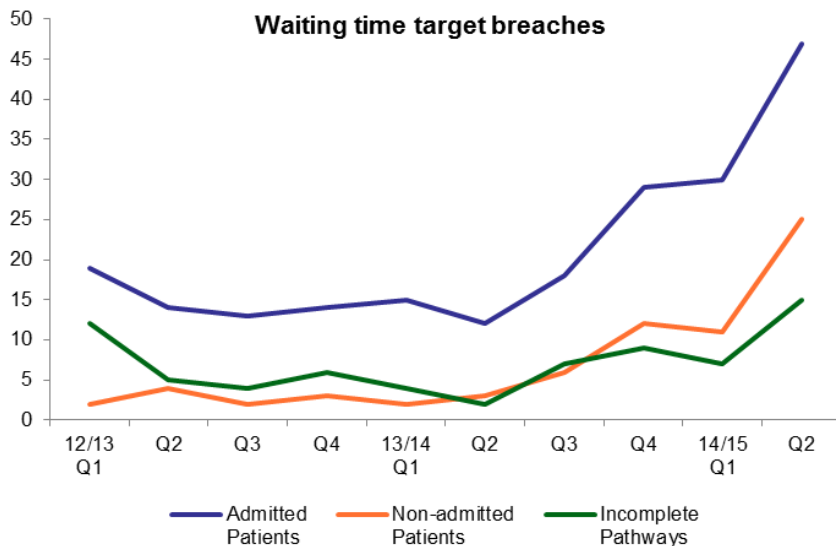
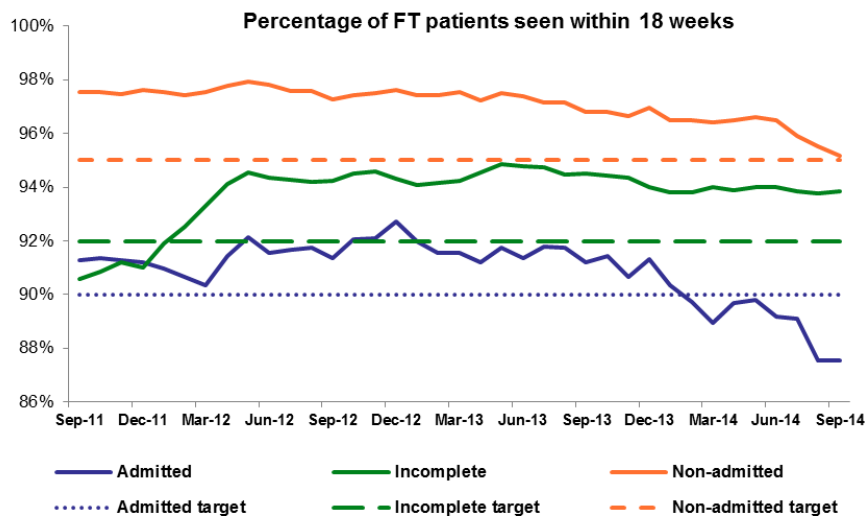


A&E target breaches



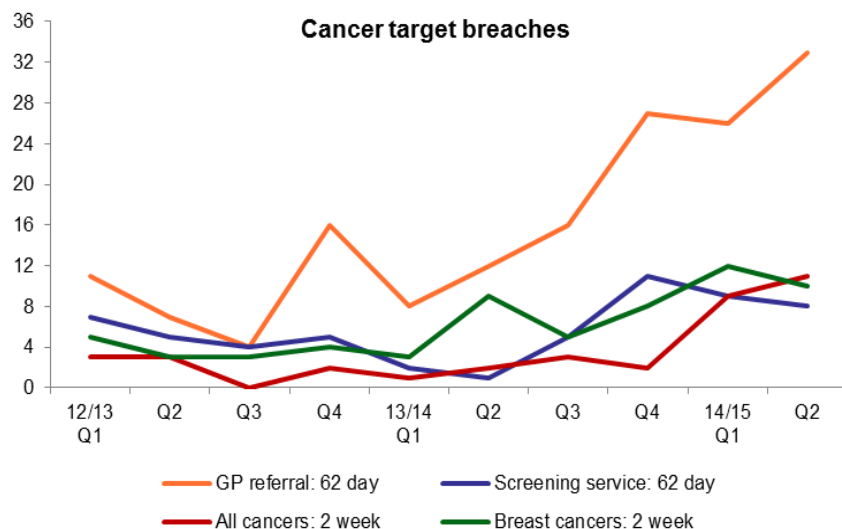
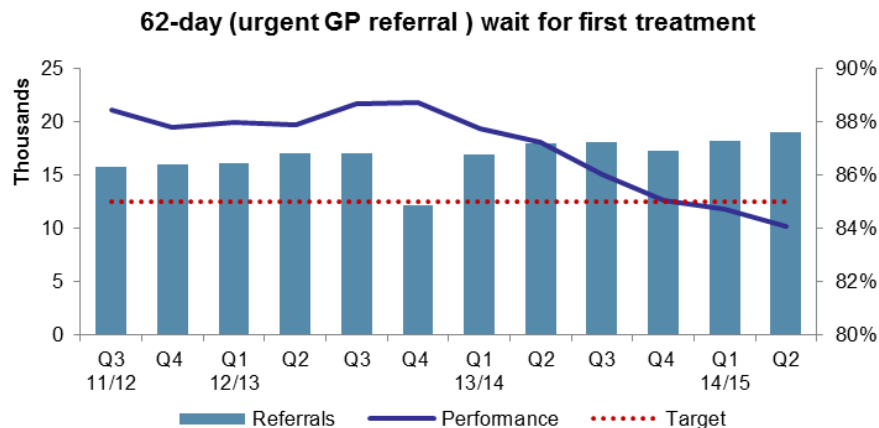
- Urgent and emergency care continued to be under stress across the NHS, with FTs failing to achieve the A&E four hour waiting time target for the third consecutive quarter since Q3 2013/14. For major A&E departments, the target has now been breached for the past 23 weeks.
- The overall A&E four hour waiting time performance for Q2 2014/15 was 94.9% against the standard of 95%, a significant decline when compared to 96.15% achieved at Q2 2013/14. Consequently, the number of FTs breaching the target also increased from 11 in Q2 2013/14 to 33 this quarter.
- The latest performance data showed that the FT sector continued to underperform against the A&E standard, reporting a performance of 92.2% for the acute FTs at week ending 16 November 2014 .
- A&E demand remained high at 2.7m in Q2, representing an increase of c.124,000 attendances compared to the same period last year. Many FTs cited the high level of attendances being one of the key contributing factors for the current underperformance.
- Inpatient bed shortages caused by delayed discharges and transfers of care appeared to be a particular issue among some of the trusts breaching the A&E target. The number of patients being admitted from A&E for further treatment saw a 7.5% year on year increase, this inevitably created further pressures on patient flow which had a knock-on impact on meeting the A&E target. Although delayed transfers of care required a local health economy wide solution to resolve, delayed discharges are within trusts' own gift to fix.

2.2 Elective waiting times



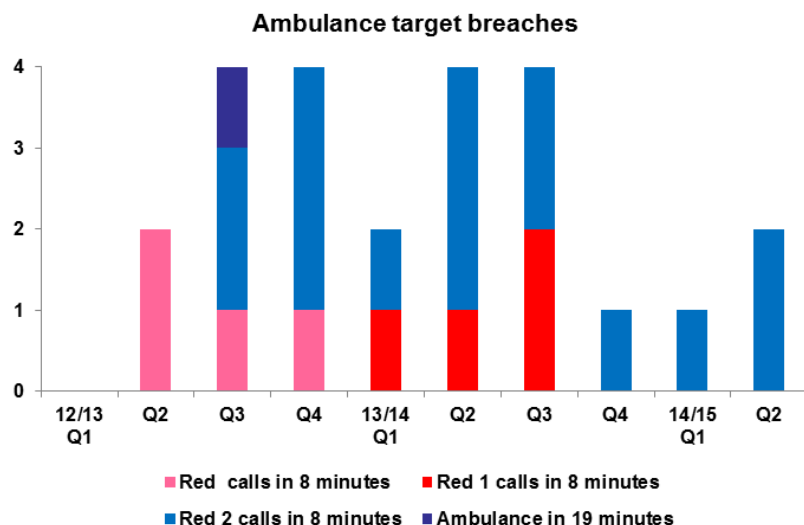
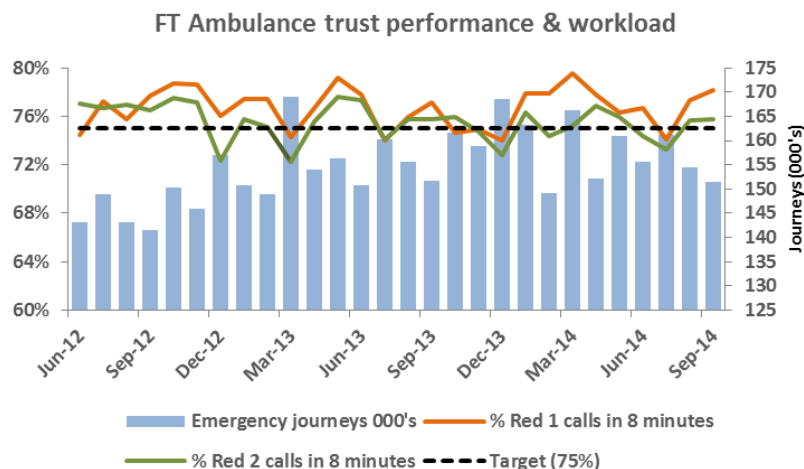
- Despite efforts being made to improve the waiting time performance, there are sustained demand pressures within the sector. The like for like analysis showed that, despite a slight reduction in the size of FTs' waiting list from 1.74m in Q1 2014/15 to 1.69m in Q2 2014/15, the overall waiting list is still 6% higher than the same period last year.
- The demand pressures combined with FTs' focus on treating long waiters (i.e. "managed breach") have a significant impact on the sector performance. The managed breach allows FTs to fail the standard in a planned way with the agreement of their commissioners. As a result, the sector failed the 90% referral to treatment (RTT) target for admitted patients in Q2, with only 88.1% of patient starting inpatient treatment within 18 weeks. The number of FTs that breached the admitted target saw a marked increase from 12 in Q2 2013/14 to 50 this quarter.
- While operational resilience funding has allowed the trusts to invest in additional short term capacity, concerns over RTT admitted target performance in the long run remains. Year on year analysis shows that the growth in elective activity (3-4%) has not matched the growth in referrals (6%). Consequently, the number of patients waiting longer than 18 weeks has increased by 19% from 87,000 in September 2013 to 104,000 in September 2014 despite a reduction in patients who have waited longer than 52 weeks. In addition, over 80% of those FTs breaching the admitted target indicated in our quarterly survey that a combination of clearing the backlog and system-wide demand pressures would lead to further breaches in Q3.
- The "managed breach" also had an impact on the 95% RTT target for non-admitted patients in Q2, despite outpatients activity increasing by 4% over the same period last year. FTs in aggregate reported a performance of 95.5%, which was a 1.4% decline compared to the same period last year.
- The median waiting time nationally for patients on admitted, non-admitted and incomplete pathways now stands at 9.5, 6 and 6.2 weeks respectively in September 2014 when compared to 9.4, 5.4 and 5.8 weeks in June, indicating that pressures are more widespread than the previous quarter.

2.3 Cancer waiting time



- There has been a steady decline in the recent FT sector performance against the 85% target of patients with suspected cancer receiving their first treatment within 62 days of their GP referrals, while the number of patients being referred and treated for cancer has seen a steady rise.
- Sector performance at Q2 2014/15 was 84.1%, a further decline from Q1 performance of 84.7%. This was the second successive quarter that FTs in aggregate failed the cancer 62-day waiting time target. London and Central regions in particular continued to perform significantly below the standard, reporting a performance of 78.52% and 83.44% respectively compared to 81.3% and 82.6% in Q1 2014/15.
- The number of trusts failing the target rose to 32, six more than Q1 2014/15 and 11 more than Q2 2013/14. Our analysis showed that referrals reached 19,000 at Q2 2014/15, an increase of c.6% and c.5% when compared to the same period last year and Q1 2014/15 respectively. Although the demand rise created capacity pressures on the FTs, the main contributing factors cited by trusts for the underperformance were mostly related to complex diagnostic pathways and late referrals between trusts. Most of those FTs failing the target have indicated that they have action plans in place to address the issues identified, and would expect their performance to return to compliance by Q3 or Q4 this financial year.
- In contrast to the sector's performance against 62-day cancer waiting time target, FTs have collectively achieved the waiting time standards for screening services (62 days), diagnostic treatment (31 days) as well as 2-week urgent GP referrals. However, the number of trusts in breach of these standards have increased over the same period last year due to a combination of demand rise, capacity constraints and patient cancellations.

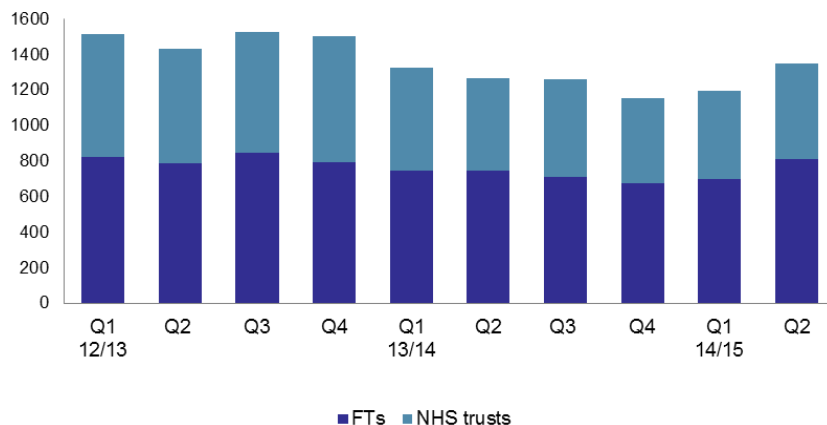
2.4 Ambulance response times



- National standards set out that 75% of time critical and life threatening Category A (including both Red 1 and Red 2) calls should receive an emergency response within eight minutes.
- While total calls to ambulance switchboards saw a c.2% increase (c.17,880 more calls) when compared to Q2 2013/14, Red 1 and Red 2 calls which require emergency responses have seen year-on-year rises of c.56% (4,800 more calls) and c.8% (23,000 more calls) respectively. The increase in Red 1 call volumes can be partly explained by the reclassification of Category A calls into Red 1 and Red 2. Trusts have had to modify their reporting systems to separately identify calls that fall into these subgroups.
- The demand increase has an inevitable bearing on the sector performance. In Q2 2014/15, FT ambulance trusts in aggregate achieved the target for Red 1 calls with a performance of 76.5%, but marginally failed to deliver against the Red 2 call standard with a performance of 74.9%.
- Further analysis showed that FT ambulance trusts saw a significant dip in their performance between March and July 2014, which was unusual for the time of year. When surveyed, trusts cited congested A&E Departments as the main underlying reason, as most of Red 1 and Red 2 call patients require further hospital treatment. They also reported difficulty in recruiting staff into key posts which has a direct impact on their operations due to limited flexibility especially during periods of heightened activity.
- Despite the above pressures trusts have maintained response times with the median response time for Red 1 calls of six minutes being achieved for several years.

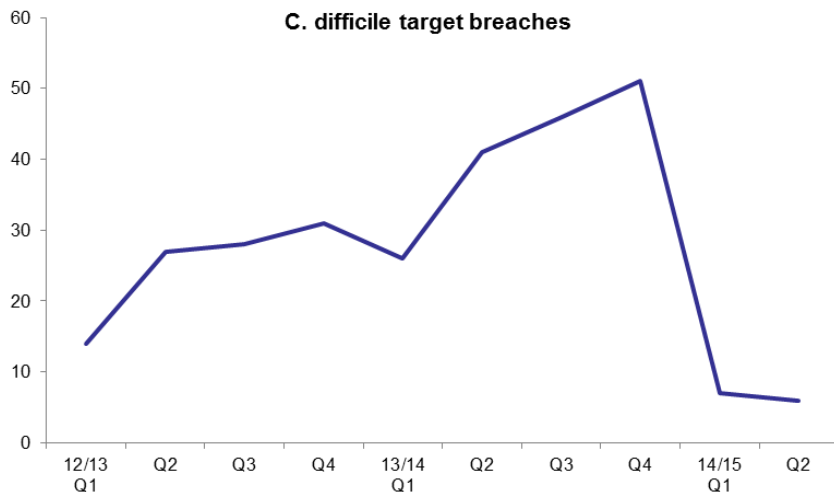
2.5 Infection control

C. difficile cases



- A general decline in the number of *C. difficile* cases over the last few years has meant trusts struggled to achieve the target as small increases in infection rates has an amplified negative impact on target performance. As a result, the way the *C. difficile* target performance is measured changed from 2014/15. Under the new methodology, trusts are no longer measured against the total number of *C. difficile* cases, but instead only those cases due to 'lapses in care' by the provider rather than other causes.
- However, the number of cases of *C. difficile* appears to be on the rise since the beginning of this financial year. FTs reported a total of 812 cases at Q2 2014/15 compared to 747 cases in the same period last year, an increase of 8.7%.
- Of which, 266 of those reported *C. difficile* cases were due to lapses in care. A further 203 cases are currently under review with CCGs to determine whether they are due to lapses in care.
- Despite the increase in the number of cases, there has been a decline in the number of trusts failing the target. At Q2 2014/15 six foundation trusts failed the *C. difficile* target whereas there were seven last quarter. Of the six that failed, three (*King's*, *Sherwood Forest* and *King's Lynn*) also failed last quarter. Both *Sherwood Forest* and *King's Lynn* are currently in special measures.

C. difficile target breaches



3.0 Financial performance

3.1 Income & expenditure

6 months ended 30 September	Q2 2014/15		Variance to plan		Q2 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Operating Revenue for EBITDA	21,244	21,071	173	0.8%	20,271
Pay costs	(13,643)	(13,412)	(231)	1.7%	(12,886)
Other operating expenses	(6,810)	(6,713)	(97)	1.4%	(6,311)
EBITDA	791	946	(154)	-16.3%	1,075
Depreciation	(612)	(624)	12	-1.9%	(584)
Finance costs	(181)	(183)	2	-1.2%	(167)
PDC dividend	(259)	(263)	5	-1.8%	(241)
Other non-operating items	24	79	(55)	-69.8%	24
Restructuring costs ¹	(19)	(15)	(4)	28.8%	(11)
Net surplus	(254)	(59)	(195)	328.4%	95
Gains/(losses) on transfers ²	114	183	(70)	-38.0%	0
Impairments	(81)	(36)	(44)	120.8%	(26)
Net surplus after impairments & transfers by absorption	(221)	87	(308)	-352.7%	69
EBITDA %	3.7%	4.5%			5.3%
Net Surplus %	-1.2%	-0.3%			0.5%

6 months ended 30 September 2014	Acute	Mental Health	Specialist	Ambulance	Total
	Actual £m	Actual £m	Actual £m	Actual £m	Actual £m
Operating Revenue for EBITDA	15,197	4,105	1,492	450	21,244
Pay costs	(9,457)	(3,036)	(839)	(311)	(13,643)
Other operating expenses	(5,272)	(860)	(561)	(116)	(6,810)
EBITDA	467	209	92	23	791
Net surplus/(deficit)	(326)	38	30	4	(254)
Net surplus after impairments & transfers by absorption	(233)	(20)	28	4	(221)
EBITDA %	3.1%	5.1%	6.2%	5.2%	3.7%
Net Surplus %	-2.1%	0.9%	2.0%	0.8%	-1.2%

- The FT sector has increased its overall year to date deficit by £87m to £254m in Q2 2014/15. The net deficit is over four times of that planned.
- The deficit was largely driven by the growth in both pay costs (1.7%) and non-pay costs (1.4%) over plan exceeded the growth in revenue of 0.8%, bringing about the decline in financial performance. The 'other non-operating items' variance mainly represents several large donations expected, but not received.
- In addition, the significant year to date adverse performance variance of £31m at *King's* also contributed to the overall deterioration in the sector's financial performance.
- While 65 trusts had planned to be in deficit at Q2, the number of trusts in deficit has grown to 81 this quarter (86 at Q1) with a gross deficit of £396m.
- Of the 81 deficit trusts this quarter, 64 are acute, nine are mental health, six are specialists and two are ambulance trusts. 77% of acute FTs, 40% of ambulance trusts, 33% of specialist trusts and 22% of mental health trusts are now in deficit.
- Acute trusts remained most financially challenged, with a net deficit of £326m at Q2 2014/15 and an EBITDA of only 3.1%. Mental health, ambulance and specialist trusts all made a small surplus and achieved EBITDA margin of over 5%. This is partly due to acute trusts being most reliant on tariff for a majority of their revenue.
- FTs have revised downwards their aggregate annual plan, which predicted a net £20m deficit, to a full year deficit of £271m. Historically, performance tended to improve as the year progresses. However, the quarterly run rate needs to improve significantly for FTs to achieve this revised target.

3.2 Revenue analysis

6 months ended 30 September	Q2 2014/15		Variance to plan		Q2 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Ambulance	430	428	2	0%	425
Community	1,493	1,489	5	0%	1,474
Mental health	2,784	2,782	2	0%	2,809
Elective in-patients	1,485	1,558	(73)	-5%	1,471
Elective day cases	1,240	1,244	(4)	0%	1,184
Outpatients	2,236	2,244	(9)	0%	2,284
Non-elective in-patients	3,219	3,179	40	1%	3,190
A&E	477	457	19	4%	448
Maternity	387	336	50	15%	n/a ¹
Diagnostic tests & Imaging	203	191	12	6%	n/a ¹
Critical care: Adult, Neonate, Paediatric	658	635	23	4%	n/a ¹
High cost drugs revenue from commissioners	929	839	90	11%	n/a ¹
Other drugs revenue (incl. Chemotherapy)	232	185	47	25%	n/a ¹
Direct access & Op, all services	175	158	17	11%	n/a ¹
Unbundled chemotherapy delivery	81	75	6	7%	n/a ¹
Unbundled external beam radiotherapy	95	95	(0)	0%	n/a ¹
CQUIN Revenue	251	234	18	8%	n/a ¹
Other NHS clinical revenues	2,165	2,273	(109)	-5%	4,395
NHS contract penalties or adjustments	(33)	(20)	(13)	63%	(11)
Non-NHS clinical revenues	392	383	8	2%	352
Total clinical revenue	18,898	18,765	133	0.7%	18,019
Research and Development	297	295	1	0%	282
Education and Training	750	734	17	2%	734
Other non-clinical revenue	1,332	1,352	(20)	-1%	1,280
Total non-clinical revenue	2,379	2,381	(2)	-0.1%	2,296
Total operating revenue	21,277	21,145	131	0.6%	20,316

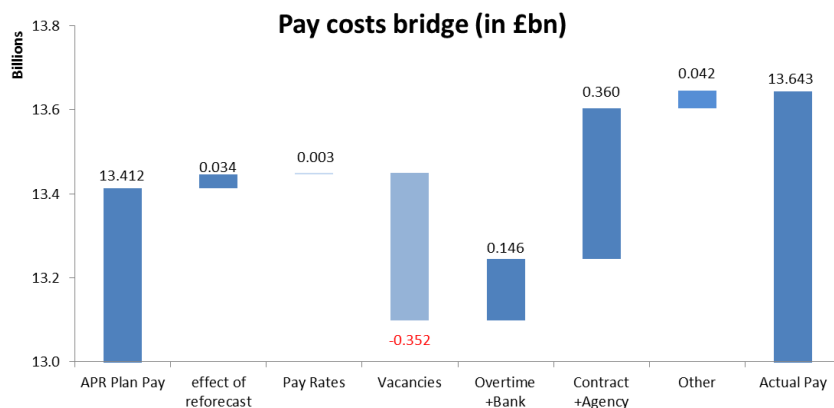
¹ The breakdown of these revenues was not collected prior to 2014/15

- Operating revenue was 0.6% ahead of plan at Q2 2014/15, due to higher clinical revenue across many categories, especially maternity, A&E, non-elective and critical care, plus drugs cost reimbursements. However, the revenue growth was 0.8% less than the same period last year due to significant shortfalls in elective and “other NHS clinical revenues” against plan.
- Analysis of activity and revenue at acute and specialist FTs showed that trusts continued to experience significant pressures to effectively deliver their planned elective work during Q2 2014/15. Elective inpatient and day case activities were 5.4% and 0.2% below plan respectively, whereas A&E and non elective activities continued to exceed plan by 3.6% and 2.3%.
- However, the growth in emergency admissions does not bring the same growth in revenue due to the 30% marginal rate rule under the national tariff. In addition, unplanned rises in urgent and emergency activities also drove the growth in staff costs, especially in agency and contract staff costs, leading to more trusts becoming financially challenged.
- The £137m favourable variance on reimbursement for high cost and other drugs compares with a £70m unfavourable variance on drugs expense, suggesting this revenue stream was under budgeted and is helping to prop up I&E performance.

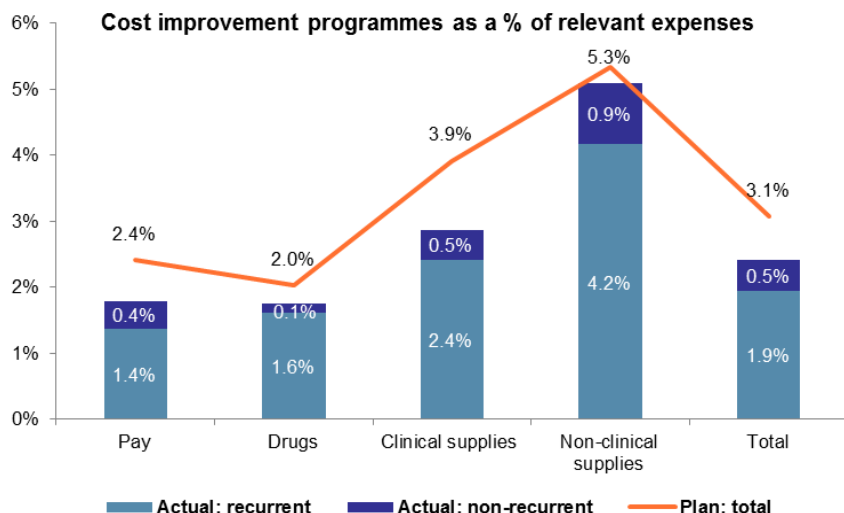
3.3 Operating expenses

6 months ended 30 September	Q2 2014/15		Variance to plan		Q2 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Pay - employees	12,812	13,035	(222)	-2%	12,252
Pay - contract and agency staff	831	377	453	120%	633
Pay expense	13,643	13,412	231	1.7%	12,886
Ambulance operating costs	34	35	(2)	-4%	35
Clinical supplies	1,830	1,790	40	2%	1,706
Drugs expense (Gross)	1,762	1,692	70	4%	1,564
Non Clinical Supplies	860	853	8	1%	783
Other operating expenses	2,323	2,343	(20)	-1%	2,223
Non Pay expense	6,810	6,713	97	1.4%	6,311
Total operating expenses for EBITDA	20,453	20,125	328	1.6%	19,197

- Operating expenses are 1.6% above plan, with the largest individual variance being in contract and agency staff costs.
- The 2014/15 plan assumed a 40% annual reduction in contract and agency spend, and the 2013/14 plan assumed a 50% annual reduction. However, the planned reduction has not materialised.
- An analysis of agency staff costs as a percentage of total staff costs highlights a continuing increasing trend over the last two years. Regional variation is also wide from 8.8% in London to 4.7% in the North.
- FTs have consistently cited difficulties in recruiting to permanent posts as the reason for the overspend on contract and agency staff, particularly nurses and middle grade doctors. In addition, both activity and quality pressures also contributed to the high usage of contract and agency staff within the sector.
- The pay cost bridge confirms that pay rates are not a significant issue. 41% of the savings on staff vacancies have been spent on overtime and bank staff (extra shift) costs, leaving remaining vacancies to be filled, at a higher cost, by agency staff. The £360m agency costs replace planned payroll costs of £206m, suggesting an effective premium of 75% is being paid.



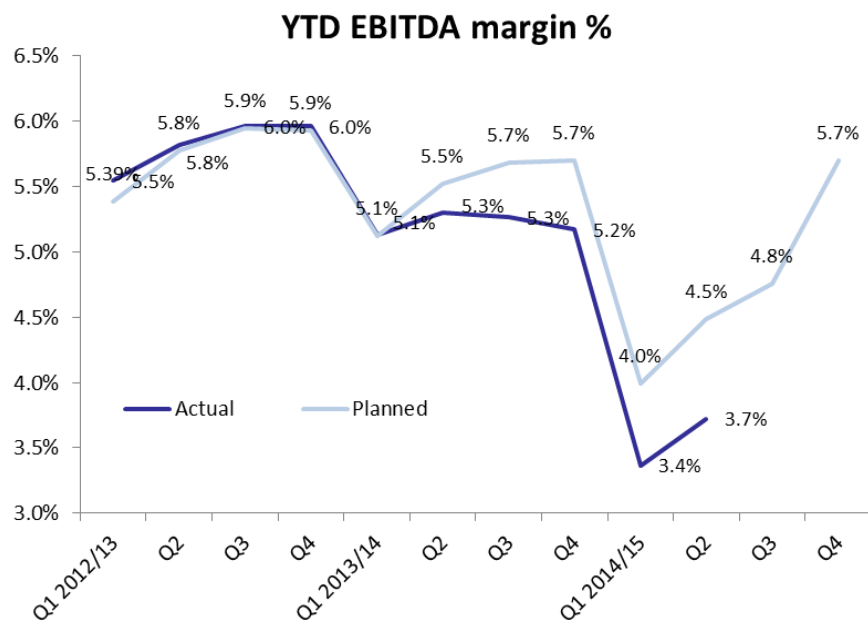
3.4 Cost improvement programmes



CIP as a % of operating expenditure	Sep-14 Q2 2014/15		Sep-13 Q2 2013/14	
	Actual	Variance from plan	Actual	Variance from plan
Teaching acute	2.2%	-0.7%	2.6%	-0.7%
Large acute	2.0%	-1.1%	3.0%	-0.8%
Medium acute	2.5%	-0.8%	2.7%	-0.7%
Small acute	2.1%	-0.5%	2.3%	-0.4%
Total acute	2.3%	-0.7%	2.7%	-0.6%
Mental Health	2.8%	-0.5%	3.2%	-0.3%
Specialist	1.8%	-0.6%	2.2%	-0.6%
Ambulance	3.9%	0.3%	3.9%	-0.6%
Total	2.4%	-0.6%	2.8%	-0.6%

- The FTs in aggregate delivered 2.4% or £492m cost savings at Q2 2014/15, which was £126m or 20% lower than planned.
- Pay cost savings were £85m below plan and continued to be one of the main contributing factors for FTs' underperformance against their cost improvement programmes (CIPs). Close to 80% of the underperformance was due to under delivery by the acute trusts. Given their size, acute trusts' planned pay cost savings account for 70% of the overall planned pay CIPs for the quarter. However, so far their delivery has been considerably behind plan, achieving only £155m against £220m planned (30% below plan). The pay CIP under delivery largely reflected pressures arising from demand increases, target delivery and quality initiatives which prevented FTs from managing their workforce effectively and reducing their use of agency staff to generate the savings required.
- CIP delivery continued to be more successful in respect of non-clinical supplies (5.1%) and clinical supplies (2.9%). However, given that these are not as significant areas of cost to trusts, the savings will not sufficiently compensate for the underperformance on pay CIPs.
- FTs continued to rely partly on non-recurrent savings to reduce costs. Overall, 19% of the total cost savings were from non-recurrent schemes, compared to planned 7% for this quarter.
- The reliance on non-recurrent schemes and general underperformance against plan is a reflection of FTs' weakness in the planning and execution of their cost saving schemes, as 50% of FTs surveyed cited delays to implementation, 16% attributed to CIPs not being fully identified at planning stage and 14% due to lack of credible delivery plans. However, some trusts remained optimistic about delivering their CIPs by year end.

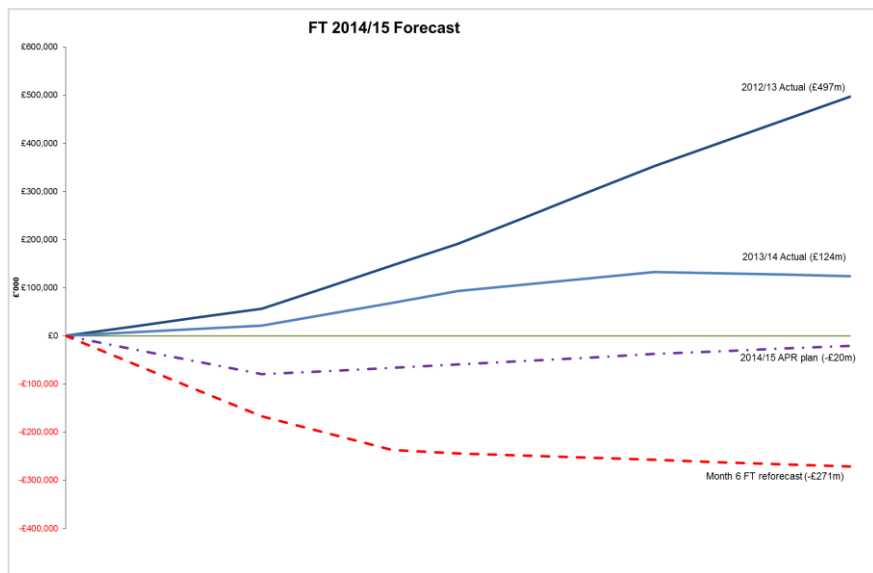
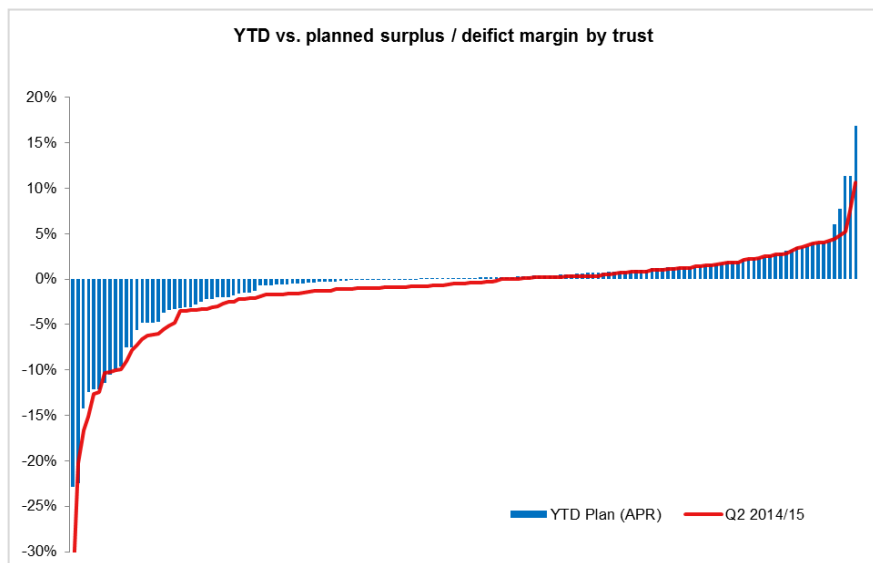
3.5 EBITDA margin



- While the FTs' aggregate actual EBITDA margin improved from 3.4% at Q1 2014/15 to 3.7% this quarter, it was the second quarter in a row that the EBITDA margin fell below the 5% threshold, indicating that financial performance remains a concern for the FT sector.
- The improvement observed in year to date EBITDA margin at Q2 was in line with the historical trend, as FTs start to build up their efficiency savings and grow their revenues by delivering extra activities.
- However, the current EBITDA margin is 18% behind plan, indicating that actual performance against the plan continues to diverge. Therefore, it is extremely challenging for the sector to achieve the planned trajectory at the end of the year.
- At Q2, 87 trusts had an EBITDA margin below the 5% threshold (including 19 trusts with a negative EBITDA margin), and nearly 70% of them were acute trusts making the acute trusts in aggregate the worst performing group within the FT sector. Similarly to the previous quarter, both medium and small acute trusts remained as the most financially challenged, raising the question about their long term financial sustainability.

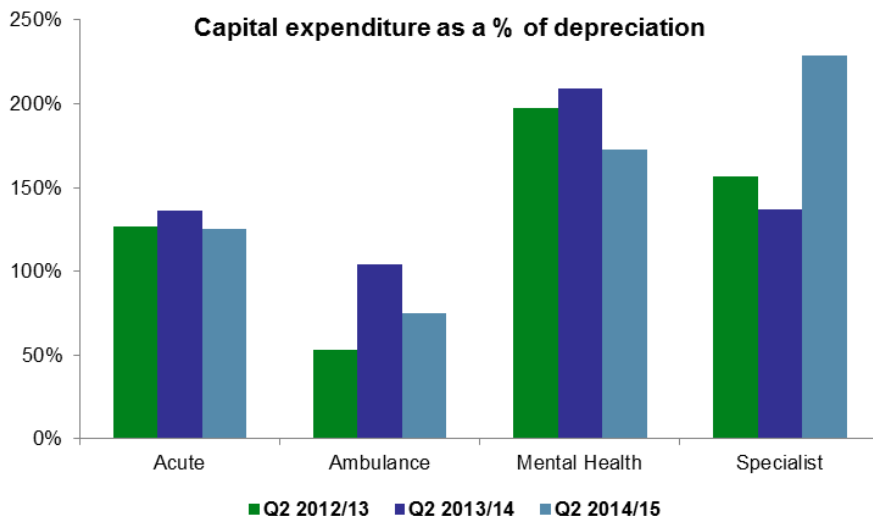
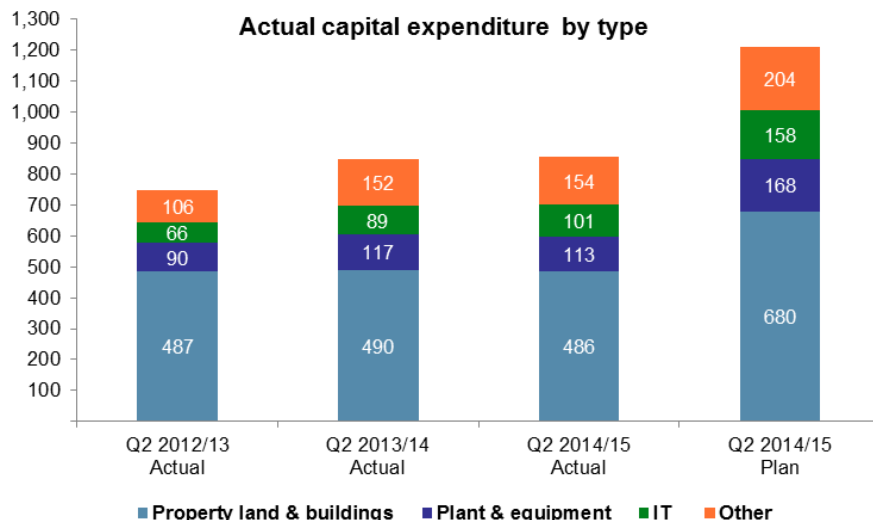
Trust type	Q2 2014/15		Q2 2013/14	
	EBITDA %	Variance from plan %	EBITDA %	Variance from plan %
Teaching acute	4.4%	-0.9%	5.7%	-0.4%
Large acute	5.1%	-0.9%	6.2%	0.1%
Medium acute	2.0%	-1.3%	4.3%	-0.5%
Small acute	0.0%	-1.3%	3.7%	-0.7%
Total acute	3.1%	-1.1%	5.0%	-0.4%
Mental Health	5.1%	0.1%	5.6%	0.3%
Specialist	6.2%	-0.1%	7.3%	0.6%
Ambulance	5.2%	-0.1%	6.4%	-1.4%
Total	3.7%	-0.8%	5.3%	-0.2%

3.6 'S' curve & full year deficit



- The S curve shows that the decline in financial performance is largely due to a fall in margin. In particular, the downward shift in the year to date margin is more substantial among the deficit trusts than those trusts with planned surpluses.
- The year to date financial performance spanned a wide range, with *Northumbria* reporting a year to date surplus of £9.8m, while *King's* has a year to date deficit of £33.8m.
- Although the number of FTs in deficit has decreased to 81 from 86 last quarter, this is still 16 more than plan. Of the 81 deficit trusts, 64 are acute, six are specialist, nine are mental health and two are ambulance trusts.
- Acute trusts continued to be under significant financial pressures, being the only sector reporting an aggregate net deficit. Over 90% of the total gross deficit of £396m is at acute trusts, and nearly 80% of them reported a deficit at Q2.
- The FT sector as a whole is currently projecting a year-end deficit of £271m against a planned deficit of £20m. The projected deficit includes a gross deficit of £531m at 60 trusts (£115m below plan) and £260m surplus at 87 trusts (£136m worse than plan). The delivery against this projection is very challenging, as there are still significant pressures within the sector. FTs will need to seriously address their use of agency staff and have robust plans to deal with winter pressures in order to improve their run rate and achieve this forecasted position at the year end.

3.7 Capital expenditure



- In Q2 2014/15, capital expenditure was £854m against a plan of £1,211m on an accruals basis, which indicated that FTs were 29% below their capital plans this quarter, compared to 23% in the same period last year.
- Analysis shows that capital expenditure outstripped cash generated from operations by c.30%. This is favourable against plan (52%) and against the same period last year (45%). Typically, trusts rely on public dividend capital (PDC) and loans to meet funding shortfalls.
- Drawn down of loans and PDC capital movements were £236m and £173m against planned sums of £248m and £247m respectively. However, trusts have increased their capital investments financed through borrowings by 63% compared to the same period last year, from £251m to £409m.
- Capital expenditure as a proportion of depreciation has decreased from 145% this time last year to 140% this period compared to 194% planned. Acute trusts which make up c.70% of total FTs' capital investments were the key contributor to the decline, reporting 125% against 177% planned. Nevertheless, the aggregate percentage outturn consistently exceeding 100% shows that trusts continue to invest to improve their patient care services.
- However, operating margins are relatively low for the sector and therefore it is doubtful trusts can sustain these levels of investment in the long-term unless their financial position begins to improve considerably in the near term.

4.0 Regulatory performance

4.1 Assess and manage risks

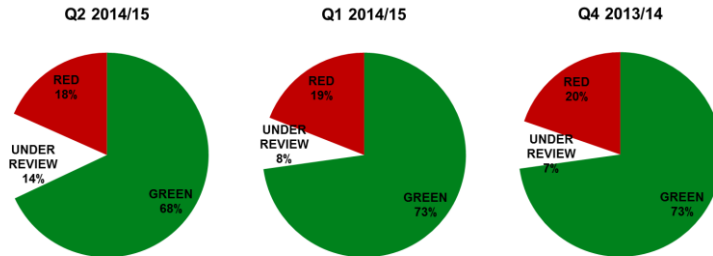
- We oversee FTs' compliance with the governance and continuity of services requirements of their provider licence through the *Risk Assessment Framework (RAF)*. Under the *RAF*, each FT is assigned two risk ratings, governance risk rating (GRR) and continuity of services risk rating (COSRR), to reflect our views of its governance and its on-going availability of key services including the level of its financial risks.
- Although these ratings provide a view of the level of risks within the sector, their prime purpose is to allow us to assess and determine what regulatory responses we take at individual trusts.

Trusts triggering RAF concerns

- Our *RAF* sets out triggers that indicate potential financial and governance concerns. Breaching a trigger does not automatically mean that there is a significant problem at the trust.
- Each quarter, Monitor's regional teams review and assess whether there is any existing or new material concern under the *RAF* at any individual FT. Decisions on whether any regulatory actions should be applied or removed are calibrated and agreed by Monitor's Regional Directors. In most cases where Monitor is concerned after considering the *RAF* trigger, our response is to formally investigate the issue. Only when there is significant problem, do we then find the FT in breach of its licence and take actions to remedy the breach.

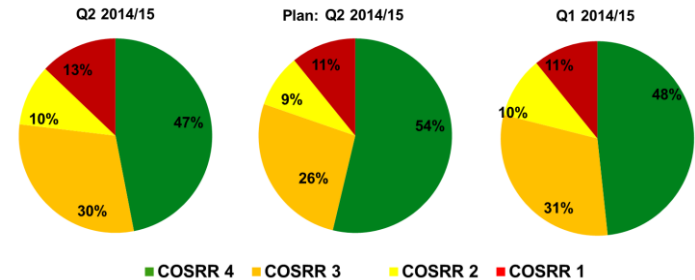
4.2 Current risks

GRR



- There are currently 27 trusts received a GRR red rating, a slight reduction from 28 in the previous quarter. All of these red rated trusts either have existing RAF concerns or triggered RAF concerns during this quarter, and all of them are currently subject to enforcement actions (detailed can be found in 4.4).
- Acute trusts continue to form the majority of the red rated trusts (23 out of 27), including 2 large, 11 medium, 7 small trusts and 3 teaching trusts. This reflected the significant operational and financial pressures faced by the acute trusts.
- Regionally, London currently does not have any red-rated trusts, whereas both Central and North regions have 11 each.
- The rating for 20 trusts are currently “under review”. Further information is being gathered from seven trusts that have triggered RAF concerns in Q2 2014/15 to determine whether they need to be investigated further. Investigations are either ongoing or have opened at eight trusts. The rating for a further five trusts to be confirmed shortly.

COSRR



- Although 81 trusts have reported a deficit at Q2 2014/15 which reflected significant financial challenges within the sector, continuity of services risk is deemed low at most of these trusts, as they have sufficient cash and other reserves to ensure both financial and service sustainability without any detrimental impact on patient care.
- At Q2 2014/15, 33 trusts received a COS risk rating of 1 or 2. Of which, 29 had a COSRR 1 or 2 in the previous quarter, and an additional four trusts including three acute trusts (*Basingstoke*, *Colchester*, *Yeovil*) and one mental health trust (*Oxford Health*) received a COSRR 1 or 2 this quarter.
- Although COSRR has improved at *RNHRD* from 2 in previous quarter to a 3 this quarter, enforcement action continues to be applied at the trust until the plan for *Royal United Hospital* to acquire *RNHRD* is approved.
- In addition, 13 trusts have been asked to submit a reforecast for the remainder of the year due to in-year changes to the trusts’ financial circumstances which have resulted in a concern for the sustainability of services provided.

4.3 Foundation trusts under review

- Under the *RAF*, there are five triggers for concerns which could lead to a trust being formally investigated or being considered for investigation. There are 20 trusts that are currently under review including eight investigations already launched, compared to 11 in the previous quarter.

Under investigation

- Investigations are currently opened at eight trusts including three ongoing investigation and five opened since our Q1 report (see “*trusts under investigation*” table below). Investigations have been closed at three trusts following satisfactory outcomes:
 - Central and North West London NHS Foundation Trust*: original investigation launched in April 2014 due to patient safety concerns raised by CQC.
 - South London and Maudsley NHS Foundation Trust*: original investigation launched in July 2014 after external reviews raised concerns about the trust board is organised and run.
 - York Teaching Hospital NHS Foundation Trust*: original investigation commenced in September 2014 following concerns raised regarding its A&E performance.
- No existing investigation has led to any new enforcement action in Q2 2014/15.

Consideration for investigation

- Further evidence is being gathered in relation to seven trusts to determine whether a formal investigation should be opened into a potential breach of the conditions of their provider licence. The ratings for five trusts are currently being reviewed and to be confirmed shortly.

Overview of FTs under review

RAF trigger	Considering investigation	Open investigation	Total
CQC information	-	1	1
Access and outcomes metrics	5	2	7
Third party reports	-	-	-
Quality governance indicators	-	-	-
Financial risk	1	3	4
Multiple factors	1	2	3
Total	7	8	15

Trusts under investigation

Trust	Main concerns being investigated	Date the investigating opened
West Suffolk	Deterioration in financial performance	May 2014
Dudley	Multiple breaches of A&E target and reviews of their 2014/15 and 2015/16 financial plan	July 2014
Liverpool Women	CQC warning notice regarding staffing levels	July 2014
Great Western	Deterioration in financial performance	Oct 2014
Calderdale	Deterioration in financial performance	Nov 2014
Taunton & Somerset	Breach of RTT targets	Nov 2014
Yeovil	Deterioration in financial performance	Nov 2014
Royal Berkshire	Multiple breaches of A&E target and concerns regarding RTT targets the trust's financial performance	Nov 2014

4.4 Enforcement actions & special measures

- Under the *RAF*, any trust with a GRR red rating is subject to Monitor's enforcement actions. At Q2 2014/15, there were 27 trusts had received a GRR red rating, a slight reduction from 28 in the previous quarter. The change was due to enforcement actions being lifted at *the Christie*. There was no new enforcement actions during Q2 2014/5.
- *Heatherwood & Wexham Park* and *Mid Staffs* were both subject to enforcement actions during Q2 2014/15. However, both trusts have since been removed from enforcement actions following *Frimley Park's* acquisition of *Heatherwood & Wexham Park*, and services at *Mid Staffordshire* being transferred to *University Hospitals of North Midlands NHS Trust* and *the Royal Wolverhampton Hospital NHS Trust*.
- Eight trusts, subject to enforcement action, continue to be in special measures for failing to provide good and safe care to patients.

Subject to enforcement action throughout Q2 2014/15

(* Trusts in special measure)

Triggering financial concerns at Q2	Triggering governance concerns at Q2	Triggering both financial and governance concerns at Q2	Existing RAF concerns, no new RAF concerns at Q2
Barnsley Bolton Burton* Kettering Northern Lincolnshire and Goole South Tees Southern Health Rotherham South Manchester	East Kent* Heart of England	Colchester* Derby Medway * Mid Staffs Milton Keynes Peterborough & Stamford King's Lynn* Sherwood Forest * Southend Tameside* Morecambe Bay*	Calderstones Cumbria Partnership HWPB RNHRD Stockport

* FTs in special measures

4.5 Other regulatory actions

CQC warning notices

- During Q2 2014/15, there were no warning notices issued against FTs.

Special administration

- From 1 November 2014, patients of *Mid Staffordshire NHS Foundation Trust* are being treated by *University Hospitals of North Midlands NHS Trust (UHNM)*, formerly *University Hospitals of North Staffordshire NHS Trust (UHNS)* and *the Royal Wolverhampton Hospital NHS Trust (RWT)*, following the formal transfer of services. Although a 'shell' legal entity remains in place for a period of three years to allow for any outstanding criminal cases to be dealt with. The transfer of assets and services is a major milestone in concluding the implementation of the Trust Special Administrators' (TSAs') recommendations.

Contingency planning and other regulatory work

- Our enforcement team has been helping *Peterborough and Stamford Hospitals NHS Foundation Trust* to restore its financial sustainability since Feb 2013.
- A Contingency Planning Team (CPT) has been appointed in September 2014 to develop plans to secure the future services for patients at *the Queen Elizabeth Hospital King's Lynn NHS Foundation Trust*. The team commenced work in September 2014 to establish options for sustainable patient services within the local health economy and is scheduled to report its findings by the end of February 2015.
- A review of the current health service provisions at Milton Keynes and Bedfordshire has been completed and findings published in October 2014. The CCG governing bodies are expected to accept the report's recommendations this month (November 2014) and commence detailed work to refine two options for service reconfiguration. The enforcement team has sought voluntary undertakings from *Milton Keynes Hospital NHS Foundation Trust* to ensure that the trust continue to address short term performance while also planning for each of the scenarios being considered by commissioners.
- A process of appointing a CPT at *Tameside Hospital NHS Foundation Trust* began in September 2014 with the aim to develop a financial and clinical sustainable solution for the trust. PwC has been formally chosen as the CPT and their work commenced on 10 November 2014.

Mergers & acquisitions

- *Frimley Park Hospital NHS Foundation Trust* acquired *Heatherwood and Wexham Park Hospitals NHS Foundation Trust (HWPH)* in October 2014. HWPH was placed in special measures in May 2014 after a CQC report raised serious concerns about patient care, inadequate staffing levels and poor staff culture at the trust.
- *Royal United Hospital Bath NHS Foundation Trust (RUH)* became a foundation trust on 01 November 2014. The trust has been working with *Royal National Hospital for Rheumatic Diseases NHS Foundation Trust (RNHRD)* since July 2012 regarding RNHRD's financial sustainability concerns (currently subject to enforcement action). Plans are in place for RUH to acquire RNHRD subject to satisfactory legal requirements being obtained and financing being agreed.

5.0 Appendix

5.1 Balance sheet

As at 30 September	Q2 2014/15		Variance to plan		Q2 2013/14
	Actual £	Plan £	£m	%	Actual £
Property, Plant & equipment	20,116	20,714	(598)	-3%	19,070
PFI assets	3,912	3,805	107	3%	3,668
Other non-current assets	678	725	(47)	-6%	553
Total non-current assets	24,706	25,244	(538)	-2%	23,291
Inventories	515	484	31	7%	478
Trade & other receivables	1,658	1,522	136	9%	1,617
Accrued revenue	674	460	215	47%	570
Prepayments	550	386	164	42%	384
Cash & Equivalents	3,840	3,572	268	8%	3,846
Other current assets	137	62	75	122%	141
Total current assets	7,374	6,485	889	14%	7,036
Borrowings	(117)	(132)	15	-11%	(99)
Trade & other payables	(2,149)	(2,020)	(128)	6%	(2,002)
Accruals	(1,806)	(1,453)	(353)	24%	(1,603)
Deferred income	(627)	(485)	(142)	29%	(592)
Provisions	(312)	(244)	(69)	28%	(281)
Other current liabilities	(753)	(657)	(96)	15%	(643)
Total current liabilities	(5,764)	(4,990)	(774)	16%	(5,219)
Net current assets	1,610	1,495	116	8%	1,817
Borrowings	(1,799)	(1,872)	72	-4%	(1,277)
Deferred income	(162)	(155)	(7)	5%	(154)
Provisions	(287)	(251)	(36)	14%	(255)
Leases PFI	(4,198)	(4,073)	(125)	3%	(4,242)
Other non-current liabilities	(178)	(358)	181	-50%	(190)
Total non-current liabilities	(6,624)	(6,709)	85	-1%	(6,117)
Total funds employed	19,692	20,030	(337)	-2%	18,992
Retained earnings	953	1,417	(464)	-33%	1,413
Public Dividend Capital	13,799	13,723	76	1%	13,125
Revaluation reserve	4,847	4,873	(26)	-1%	4,342
Other reserves	94	17	77	453%	111
Total taxpayers' equity	19,692	20,030	(338)	-2%	18,992

- The value of non-current assets has increased by £394m since 31 March 2014, part of this (£199m owned assets and £59m PFI assets) is due to the takeover of *Barnet & Chase Farm (BCF) NHS* trust by the *Royal Free*, which also brings an extra £38m PFI lease liability onto the balance sheet.
- The rest of the change is principally explained by £854m of new capital expenditure (on an accruals basis), £612m of depreciation, £97m of impairments, £22m of revaluation, £19m of asset disposals and £32 of donated PPE.
- Trade receivables at £1.7bn are £136m (£181m at Q1) higher than planned, though receivable days (the time it takes to collect debts) have decreased to 14.0 days against 15.9 days as at 31 March 2014, but not to the 13.0 days as per plan.
- Trade payables at £2.1bn are £128m higher than planned and trade payables days are now 56.8 days (56.3 days at Q1) from 64.2 days at 31 March 2014, but are still higher than the planned 54.2 days.
- Cash and cash equivalents for the sector has fallen by £385m so far this year, (by £208m at Q1) but while this drop is £92m less than planned it still reflects an overall erosion in the financial resilience of the sector.
- Of the £17m decrease in PFI lease liabilities this year the main contributor beside the *BCF* merger is *Newcastle* where the trust is in dispute over the delivery of the final (£33m) stage of its PFI.
- Of the £386m increase in PDC since 31 March 2014, some £105m represents liquidity support provided to 16 FTs under the distressed provider regime (rather than funding for capital projects, etc.).

5.2 Cash flow

6 months ended 30 September	Q2 2014/15		Variance to plan		Q2 2013/14
	Actual £m	Plan £m	£m	%	Actual £m
Net Surplus	(221)	87	(308)	-353%	69
non operating & non cash items	982	885	97	11%	1,010
working capital movements	(98)	(319)	221	-69%	(672)
Net cash inflow/(outflow) from operating activities	663	653	10	2%	408
Capital Expenditure	(979)	(1,267)	289	-23%	(903)
Other investing activities	43	74	(31)	-42%	24
Net cash inflow/(outflow) from investing activities	(936)	(1,194)	258	-22%	(879)
PDC capital movements	236	248	(12)	-5%	84
PDC dividend payments	(254)	(261)	7	-3%	(223)
PFI interest & capital payments	(213)	(206)	(7)	3%	(208)
Finance lease interest & capital payments	(18)	(24)	6	-26%	(19)
Loans drawn / (repaid), net	173	247	(74)	-30%	167
Other financing activities	(37)	(26)	(12)	45%	(18)
Net cash inflow/(outflow) from financing	(113)	(21)	(91)	426%	(216)
Net cash inflow/(outflow)	(385)	(562)	177	-31%	(687)
Opening Cash & Equivalents	4,225	4,133	92		4,513
Cash & Equivalents in new FTs at authorisation	0	0	-	-	21
Closing Cash & Equivalents	3,840	3,572	268	7.5%	3,847

- The cash position at the end of the quarter is £268m better than plan, despite the sector having a significant a net deficit of £221m rather than the planned £87m net surplus. Trusts have achieved this by managing their working capital and reducing their spend on capital expenditure.
- FTs' working capital movements include £156m less receivables, £242 more accruals and £141m more deferred income since the start of the year, against £242m more prepayments and £235m less trade payables. The effect of this together with non-cash items is to return cash generated by operations to within £10m of plan.
- On a cash basis, year to date capital expenditure is £289m behind plan, but still 8% higher than at Q2 last year.
- All FTs paid their first instalments of PDC dividend for 14/15 to DH in the quarter, taking £254m cash out of the sector.
- The year to date net drawdown of borrowings was £74m less than planned and the drawdown of PDC capital was £12m less than planned, showing FTs did not need as much cash as planned, given the overall cash position.
- Overall, FTs on average held enough cash for 34 days operation, which is slightly down from 38 days as at the start of the financial year.

6.0 Glossary and end notes

6.1 End notes

- 1 All financial information in this report is year to date and based upon unaudited quarter 1 monitoring returns from the 147 NHS foundation trusts at 30 June 2014. For foundation trusts authorised during the year, we only include financial data from the date of authorisation. No new foundation trusts have been authorised this year.
- 2 Throughout this report references to surpluses or deficits are before impairments, and gains or losses on transfers by absorption.
- 3 EBITDA is an approximate measure of available cash flow. It does not take into account the impact of depreciation, amortisation, financing costs or taxation. This means that when taken as a margin on revenue, it can be used to compare performance between organisations that may have very different levels of capital investment and debt financing.
- 4 “Teaching” acute trusts are those acute trusts who are members of AUKUH (the Association of UK University Hospitals), a list is available on request or at www.aukuh.org.uk
- 5 100 foundation trusts report performance against the A&E target.
- 6 Foundation trusts are deemed to have breached a waiting time target if they fail to achieve the performance standard in any month in the quarter.
122 foundation trusts report performance against the non-admitted and incomplete pathway targets and 106 against the admitted target.
- 7 80 foundation trusts report performance against the breast cancer: 2 week wait target
88 foundation trusts report performance against the GP referral: 62 day wait target
97 foundation trusts report performance against the all cancers: 2 week wait target and the consultant referral: 62 day wait target
- 8 For consistency with NHS trust reporting, we deduct restructuring costs in calculating net surplus/deficit.
- 9 Gains/losses relating to the transfer of assets/liabilities from abolished NHS bodies to foundation trusts on 1 April 2013 have been taken directly to reserves, as required under an HMT dispensation to current accounting rules. All other transfers of assets/liabilities from other NHS bodies to foundation trusts are recorded as a gain/ loss on transfer within the current year surplus/deficit.
- 10 From 1 April 2013 Terms of Authorisation were replaced by the Provider Licence and, from 1 October 2013, the *Risk Assessment Framework* (RAF) replaced the *Compliance Framework*.

6.2 Glossary (1/3)

A&E	Accident and Emergency departments offer a 24 hour, 7 day a week service to assess and treat patients with serious injuries or illnesses.
A&E standard	This is the objective that any patient attending an A&E department is seen and transferred, admitted or discharged within 4 hours of arrival. The objective performance against this target is 95% of patients. If a trust falls below this performance level, it is deemed to have breached the target.
Admitted patient	A patient who is formally admitted to a hospital for treatment. This includes admission that is not overnight, i.e. day cases.
Cancer waiting time targets	This refers to a series of objective waiting times for patients referred for cancer diagnosis and treatment. Each target has a different objective performance. The waiting times for cancer patients are much stricter than the RTT targets, but the RTT targets include cancer patients.
Case mix	This refers to the complexity or combination of illnesses (morbidity) presented by patients. Typically variances in numbers of patients and case mix of patients combine to affect the workload of doctors.
CCG	Clinical Commissioning Group
CIP	Cost Improvement Programme This is usually a 5 year planned cost reduction programme to improve the productivity and streamline operational structures to provide efficient, effective services.
CoSRR	Continuity of Service Risk Rating. This replaced the Financial Risk Rating (FRR) from 1 October 2013. CoSRR primarily focuses on the level of liquidity and capital service capacity. There are four scores, where 1 represents the most serious risk and 4 the least risk. Unlike the FRR, a low Continuity of Service Risk Rating does not necessarily indicate a breach of the provider licence. It rather reflects our degree of concern about a provider's finances and will help determine the frequency with which we monitor the trust.
CPT	Contingency Planning Team is a team appointed by Monitor to develop options for securing sustainable patient services at a financially troubled foundation trust.
CQC	Care Quality Commission (CQC) , is the independent regulator of health and adult social care services in England that ensure care provided by hospitals, dentists, ambulances, care homes and home-care agencies meets government standards of quality and safety.
CQUIN	Commissioning for Quality and Innovation is a system introduced in 2009 to make a proportion (2.5% in 12/13) of healthcare providers' income conditional on demonstrating improvements in quality and innovation in specified areas of care. This means that a proportion of each foundation trusts income depends on achieving quality improvement and innovation goals, agreed between the foundation trust and its commissioners.
Day case	A patient who is admitted and treated without staying overnight, e.g. for day surgery.
DH	Department of Health , the government department responsible for the NHS.
EBITDA	Earnings before interest, tax, depreciation and amortisation. This is an approximate measure of available cash flow. It does not take into account the impact of depreciation, amortisation, financing costs or taxation. This means it can be used to compare performance between organisations that may have very different levels of capital investment and debt financing.
Elective patient	Elective surgery or procedure is scheduled in advance because it does not involve a medical emergency.
Enforcement actions	The Health & Social Care Act 2012 requires that Monitor issue licences for providers of NHS services and investigate potential breaches of the licence. Monitor can impose a range of enforcement actions ranging from obliging providers to take steps to restore compliance, obliging them to pay a financial penalty, etc. In exceptional circumstances, Monitor will consider revoking a licence.

6.2 Glossary (2/3)

Exceptional items	Income or costs that are one-off in nature and do not therefore reflect underlying financial performance, i.e. asset impairments and gains/ losses on asset transfers.
Francis	<p>The Francis Inquiry examined the causes of the failings in care at Mid Staffordshire NHS Foundation Trust between 2005-2009 and a final report was published on 6 February 2013 making 290 recommendations including openness, transparency and candour throughout the healthcare system (including a statutory duty of candour), fundamental standards for healthcare providers, improved support for compassionate caring and committed care and stronger healthcare leadership.</p> <p>The government has responded (19 November 2013) to the recommendations of the Francis Inquiry in "Hard Truths: the journey to putting patients first". It includes recommendations for improving patient involvement in their care, increased transparency, changes to regulation and inspection.</p>
FRR	Financial Risk Rating. This was the measure of financial risk used by Monitor as a regulatory tool up until 30 September 2013, at which point it was replaced by the COS risk rating – see 6.2.
GRR	Governance Risk Rating. This is a measure of the risk of governance failure at a foundation trust. The methodology for assessing the GRR of a trust is explained in Monitor's Risk Assessment Framework.
High cost drugs	High cost drugs are typically expensive drugs used for specialist treatments e.g. cancer, that are excluded from the Payment by Results (PbR) tariff as would not be fairly reimbursed if they were funded through the tariff. Commissioners and providers agree appropriate local prices.
HMT	Her Majesty's Treasury , a government department that fulfils the function of a ministry of finance.
Keogh	<p>Following the Francis Inquiry, the medical director of NHS England Sir Bruce Keogh led a review into the quality of care and treatment provided by 14 hospital trusts in England. His subsequent report identified some common challenges facing the wider NHS and set out a number of ambitions for improvement, which seek to tackle some of the underlying causes of poor care. The report signalled the importance of monitoring mortality statistics to highlight any underlying issues around patient care and safety. Using the data to identify trusts who are performing positively will also be helpful in establishing and sharing effective practice across the NHS.</p> <p>The report is available at this link: http://www.nhs.uk/NHSEngland/bruce-keogh-review/Documents/outcomes/keogh-review-final-report.pdf</p>
Non-admitted patient	A patient on a pathway that does or did not include treatment without admission to a hospital, also known as an outpatient
Non-elective patient	A patient who is admitted for treatment on an unplanned or emergency basis. Such patients are not relevant to referral to treatment (waiting time targets).
Pathways	A Pathway describes the journey of a patient through an outpatient appointment, diagnostic tests, further outpatient appointments to a potential inpatient appointment (e.g., for surgery).
PDC dividends	Public dividend capital represents the Department of Health's equity interest in defined public assets across the NHS including authorised NHS foundation trusts. The department is required to make a return on its net assets, which takes the form of a public dividend capital dividends.
PFI	Private Finance Initiative is a procurement method which uses private sector capacity and public resources in order to deliver public sector infrastructure and/or services according to a specification defined by the public sector. Within the NHS a typical PFI contract involves a private consortium building a hospital and maintaining it to a defined specification for 20+ years for an NHS trust in return for annual payments from the NHS trust which are indexed to inflation.
PPE	Property, plant and equipment , the term used for fixed assets under International Financial Reporting Standards (IFRS)

6.2 Glossary (3/3)

Special administration	<p>In exceptional circumstances, where a health care provider is deemed financially unsustainable, Monitor, as part of its role, appoints a special administrator to take control of the provider's affairs. The special administrator work with the commissioners to ensure that patients continue to have access to the services they need. For statutory guidance for trust special administrators appointed to NHS foundation trusts refer to:</p> <p>http://www.monitor-nhsft.gov.uk/sites/default/files/publications/ToPublishFinalTSAGuidanceApril2013.pdf</p>
Special measures	<p>A hospital trust is said to require 'special measures' on quality grounds when serious and systemic failings in relation to quality of care have been identified, and the persons responsible for leading and managing the trust are unable to resolve the problems without intensive support. An improvement plan will be published and Monitor will provide intense oversight of the trust to ensure that improvement actions are being taken. Monitor is assisted in doing this by allocating an 'Improvement Director' to the trust.</p>
Surplus or deficits	<p>Refers to the net financial position after operational revenue and expenses.</p> <p>Throughout this report references to surpluses or deficits are before any impairments and gains or losses on transfers by absorption.</p>
Teaching hospitals	<p>"Teaching" acute trusts are those acute trusts who are members of AUKUH (the Association of UK University Hospitals), a list is available at www.aukuh.org.uk</p>
Waiting times	<p>The time a patient has to wait before treatment, this is termed RTT(qv) in the NHS</p>
WTE	<p>Whole Time Equivalent is the adjustment to translate a number of temporary employees into the equivalent number of full time employees</p>
RAF	<p>From 1 October 2013 the <i>Risk Assessment Framework (RAF)</i> replaced the <i>Compliance Framework</i> as our approach to overseeing NHS foundation trusts' compliance with the governance and continuity of services requirement of their provider licence. As a result, there has been changes to how we determine risk ratings. Under the <i>RAF</i>, each FT is assessed and assigned two risk ratings, governance risk rating (GRR) and continuity of services risk rating (COSRR), to reflect our views of its governance and its on-going availability of key services.</p>
GRR	<p>There are three categories of governance rating: A green rating indicates that there is no material governance concerns evident. A "under review" rating is assigned where potential material causes for concerns are identified, the green rating as a result will be replaced with a description of the issue and the steps we are taking to address it. A red rating means regulation actions are taken.</p>
COSRR	<p>Continuity of services risk rating has four categories where 1 represents the most serious risk and 4 the least risk. However, a low COSRR does not necessarily indicate a breach of the provider licence. It rather reflects our degree of concern about a provider's finances and will help determine the frequency with which we monitor the trust.</p>