Monitor

Making the health sector work for patients

Performance of the foundation trust sector

3 months ended 30 June 2015

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Contents

Monitor
Making the health sector work for patients

1.0 Performance summary

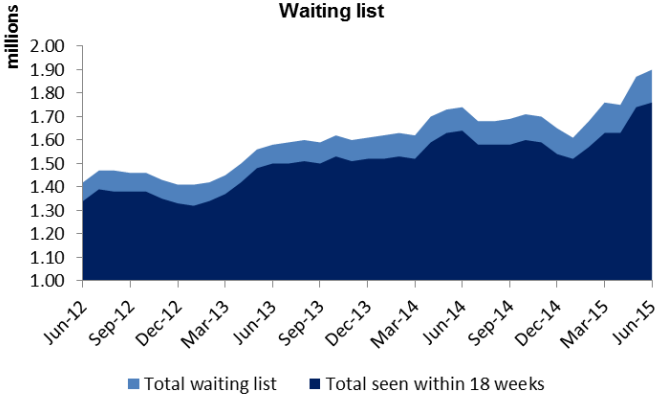
Monitor
Making the health sector work for patients

1.1 Operational summary

Description	Activity	Standard	Q1 2015/16 Performance
4 hour A&E waiting time standard	**c. 2.86m** attendances	95%	94.5%
18 week waiting time standard: incomplete pathways	**c. 1.9m** patients waiting	92%	93.1%
6-week waiting time standard for diagnostic tests	**c. 0.48m** patients waiting	1%	2.3%
Cancer standard: 62-day wait for first treatment from GP referral	**c. 19,500** referrals	85%	82.4%
Ambulance response times for Red1 Calls	**c.18,800** red 1 calls	75%	76.7%

A&E performance breakdown

Description	Total Attendances	Q1 2015/16 performance
Type 1 - major A&E	c.2.14m	92.8%
Type 2 - single specialty	c.0.09m	99.2%
Type 3 - minor injury unit	c.0.63m	99.7%



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Making the health sector work for patients

1.2 Financial summary

Quarter ended 30 June 2015

	Number of trusts[1]	Operating Revenue[2] £m	Net surplus[2] £m	Number of trusts[1] in deficit	EBITDA[2] %	GRR red rated trusts[1]	% red rated[1]
Acute	83	7,919	(437)	78	(0.3%)	33	40%
Mental health	43	2,210	7	25	4.6%	4	9%
Specialist	17	744	(11)	10	2.6%	-	-
Ambulance	5	234	(4)	4	3.3%	-	-
Community	3	139	(0)	1	2.4%	-	-
Total	**151**	**11,246**	**(445)**	**118**	**0.9%**	**37**	**25%**

Analysis of Acute sector

	Number of trusts[1]	Operating Revenue[2] £m	Net surplus[2] £m	Number of trusts[1] in deficit	EBITDA[2] %	GRR red rated trusts[1]	% red rated[1]
Teaching	20	3,424	(159)	18	0.9%	6	30%
Large (revenue over £400m p.a.)	6	774	(31)	4	0.6%	3	50%
Medium (revenue £200m-£400m p.a.)	38	2,846	(189)	37	(1.6%)	18	47%
Small (revenue under £200m p.a.)	19	875	(57)	19	(1.8%)	6	32%
Total	83	7,919	(437)	78	(0.3%)	**33**	**40%**

1. All information in this report is based on quarter monitoring returns from 151 licensed NHS foundation trusts as at 30 June 2015.
2. All financial information in this report is year-to-date, unaudited, and includes the period after authorisation for the one NHS foundation trust licensed in the year and six NHS foundation trusts licensed in 2014/15 plus the final periods of operation of the three NHS foundation trusts that ceased to be licensed (through merger or dissolution) in 2014/15.
3. Governance risk ratings (GRR) are based on the rating at the time of reporting.

Monitor
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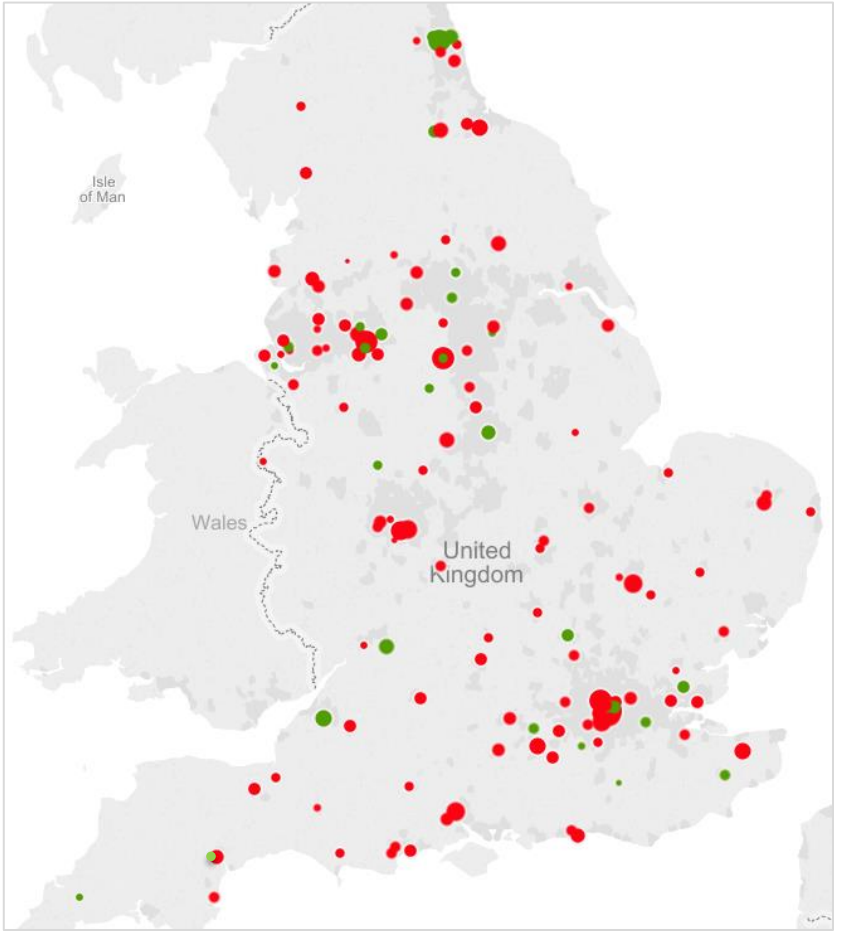
1.3 Regional Summary



The graph is based on Q1 2015/16 information: All foundation trusts are shown located at their headquarters and depicted by a dot, the size of the dot reflecting their revenue (turnover YTD) and the colour their surplus/(deficit) YTD. (*Green: surplus; Red: deficit*).

Regional summary as at Q1 2015/16

Actual	London 20 FTs	Midlands 39 FTs	North 57 FTs	South 35 FTs	Total 151 FTs
Operating Revenue (£m)	**2,268**	**2,464**	**4,041**	**2,473**	**11,246**
EBITDA %	0.5%	0.2%	1.3%	1.5%	0.9%
CIPs as a % of Expenses	1.7%	2.1%	2.3%	2.0%	2.1%
Net (deficit) (£m)	**(107)**	**(125)**	**(131)**	**(82)**	**(445)**
Net (deficit) %	-4.7%	-5.1%	-3.2%	-3.3%	-3.9%
Number of deficit FTs	15	33	43	27	118
% of FTs in deficit	75%	85%	75%	77%	78%
Gross deficit (£m)	**(110)**	**(135)**	**(153)**	**(87)**	**(485)**

- The net deficit for the FT sector was £445m for Q1 2015/16, compared to a planned deficit of £354m.
- Overall, 118 (or 78%) FTs reported a deficit year to date, varying between 75% (the lowest) in London and 85% (the highest) in the Midlands.
- Regionally the FT population is distributed:
  - By number: 38% in the North, 26% in the Midlands region, 23% in the South and 13% in London.
  - By operating revenue: 36% in the North, 22% in the Midlands region, 22% in the South and 20% in London.
  - By gross deficit: 32% in the North, 28% in the Midlands region, 23% in London and 18% in the South.

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2.0 Operational performance

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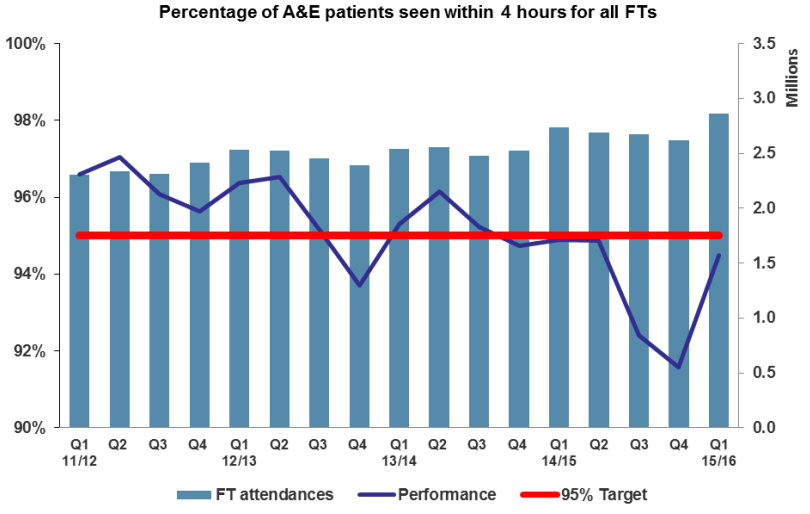
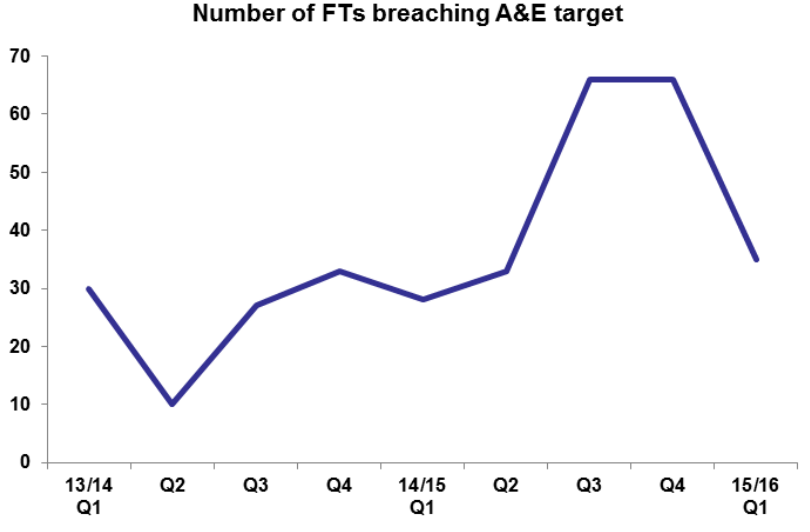
2.1 Accident & Emergency





- For the sixth consecutive quarter, the FT sector again failed to meet the A&E 4-hour waiting time target with a performance of 94.5% in Q1 2015/16. A total of 35 FTs breached the target. Although both the sector performance and the number of trusts failing during the quarter represented a deterioration from Q1 2014/15 (94.8% achieved and 28 breaching trusts), the number of underperforming trusts was 31 fewer than the previous quarter.
- Total attendances during the quarter was 2.86m, an increase of 4.6% compared to the same period last year. The rise in attendances was largely due to new FTs and mergers and acquisitions (M&A), as the like-for-like comparison excluding the impact of new FTs and M&A indicated a 1% reduction in overall attendances compared to Q1 2014/15, this has not happened in the last five years, suggesting that there was no direct link between attendance level and performance.
- FTs have cited that complex casemix, increased level of emergency admissions and bed capacity were the main reasons for their underperformance during the quarter. The proportion of patients attending a major A&E department (Type 1) and subsequently being admitted reached 26.1% in Q1 2015/16, 0.4% more than the same quarter last year. However, a lack of available beds to meet the emergency demand continued to affect A&E performance.
- The total bed numbers for this quarter saw an underlying 0.7% reduction compared to Q1 2014/15. Further, sustained high bed occupancy rate at 87.4% (slightly higher than Q1 last year) and delayed transfers of care (DToCs) due to a lack of social care and community beds continued to impact on patient flow. The number of bed days lost due to DToCs in the quarter was c.73,500 which was 5.5% higher than Q1 2014/15. As a result, the number of over four-hour trolley waits rose from 21,700 in Q1 2014/15 to 29,500 this quarter.
- Nationally, Monitor is working closely with the NHS Trust Development Authority (TDA), and NHS England (NHSE) to address the performance challenge. Work is now underway to review winter preparedness to ensure that providers have developed sufficient resilience ahead of the winter months, in particular, targeted support has been given to the 27 worst performing emergency care systems.

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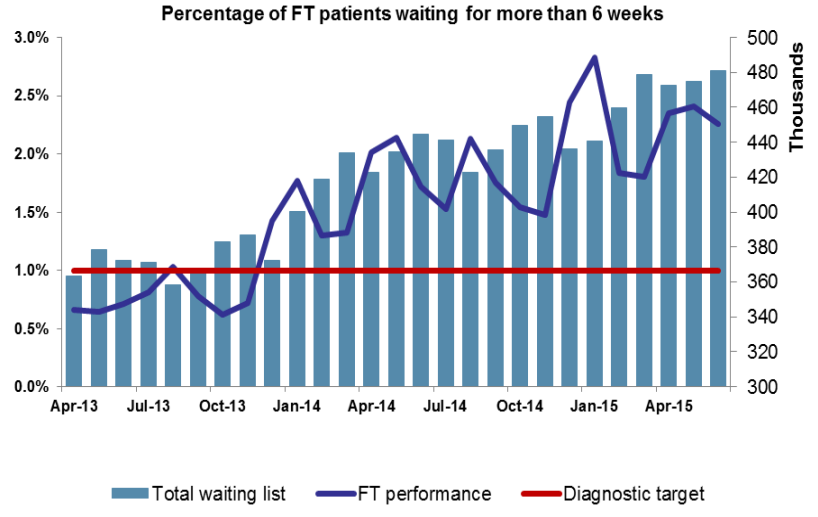
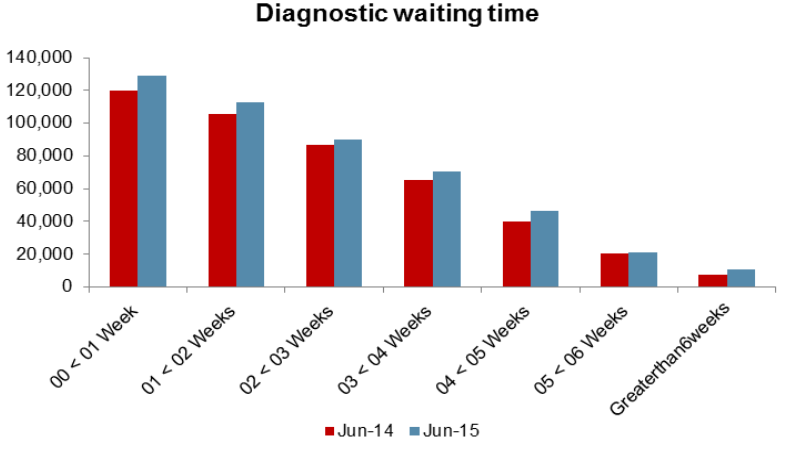
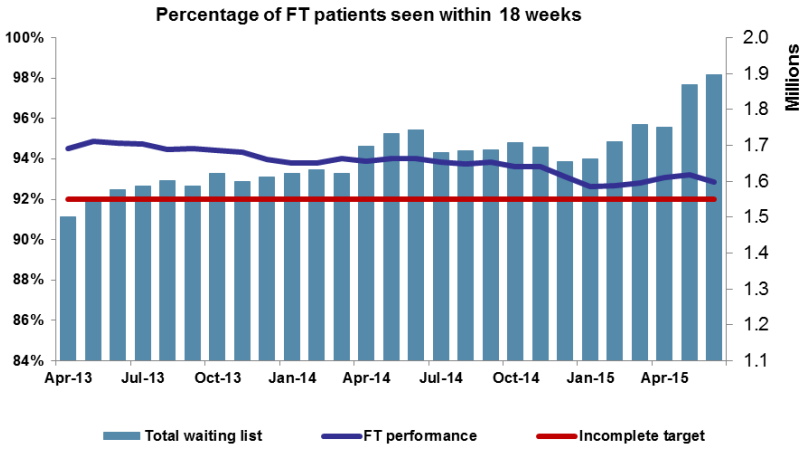
2.2 Diagnostic waiting times

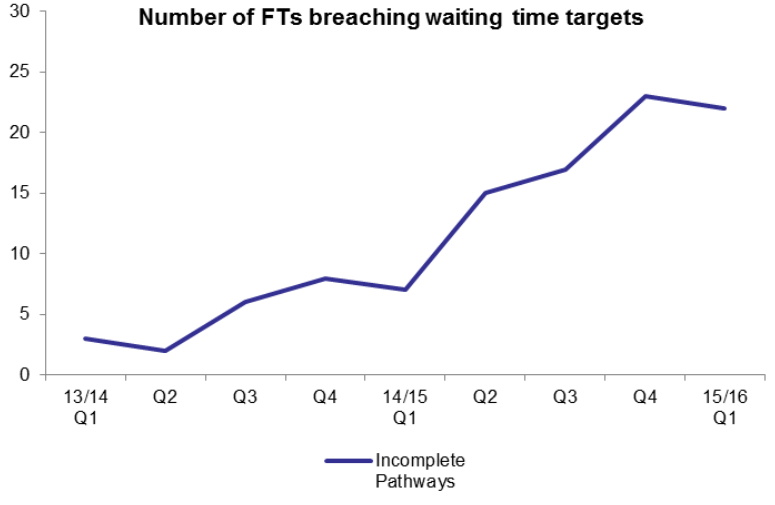




- Ensuring that patients receive timely diagnostic tests forms an important part in the delivery of referral to treatment (RTT) target (including cancer performance), as the majority of patients require a diagnostic test to determine whether further treatment is necessary.
- The national target indicates that no more than 1% of patients should wait longer than six weeks for a diagnostic test. The FT sector has been in breach of this target since November 2013.
- FTs have cited demand pressures being a key contributing factor, as the size of the waiting list for diagnostic tests has grown steadily. At the end of June 2015, around 480,000 patients were on the waiting list, which was 8.6% higher than Q1 2014/15 (or a 5.8% growth based on a like-for-like comparison excluding the impact of new FTs and M&A).
- However, inadequate planned capacity coupled with staff shortages meant that FTs were struggling to meet the demand rise. In Q1 2015/16, 2.3% of patients on the waiting list had waited longer than six weeks, showing a decline in performance compared to Q1 2014/15 (2.0%).
- Despite the deterioration in performance, the overall median waiting time remained unchanged at two weeks. Of the 15 diagnostic tests measured, flexi-sigmoidoscopy, colonoscopy, gastroscopy and urodynamic testing had the worst waiting time performances at the end of June 2015 with waiting times in excess of 2.4 weeks on average and around 10% of patients waiting longer than six weeks.
- Nationally, concerted efforts have been made to address endoscopy performance with an aim to improving the waiting time, especially for cancer patients. Trusts have been asked to review their capacity and activity plans in relation to endoscopy. A national project management office has also been set up to allow trusts timely access to spare endoscopy capacity at other NHS providers and independent sector.

2.3 Elective waiting times





- Following Bruce Keogh's review of waiting time standards, NHS England formally removed both admitted and non-admitted referral to treatment (RTT) standards in June 2015. The RTT incomplete standard has now become the sole measure of waiting time performance.
- In Q1 2015/16, FTs in aggregate met the 92% RTT incomplete target with a performance of 93.1%, a slight improvement on the previous quarter's performance of 92.7% but below the 94.0% achieved in Q1 2014/15. Although the FT sector has not failed the 92% target for RTT incomplete for the past two years, the number of FTs failing the target in Q1 2015/16 rose from seven a year ago to 22 this quarter.
- At the end of June 2015, patients on the incomplete pathway had been waiting 6.1 weeks on average, which was about three days longer than the previous quarter. Similarly, average waiting times between being referred and being admitted (admitted pathway) or being treated in a clinic (non-admitted pathway) also became longer, at 9.2 weeks and 5.7 weeks respectively.
- A majority of the FTs have cited growing demand being a key challenge as GP referrals grew year-on-year by 5.6% (with an underlying growth of 2.4%). Although FTs are trying to clear their waiting list backlog, the level of activity is not adequate to reduce the size of the waiting list. At Q1 2015/16, there were around 1.9m patients waiting, representing a 8.9% rise when compared to June 2014 (with an underlying growth of 1.8%).
- In 2014/15, national focus was placed on reducing the number of long waiters through the "managed breach" policy. However, the number of patients waiting longer than 52 weeks saw a rise in Q1 2015/16, growing from 198 at the end of March 2015 to 226 at June 2015. This was solely driven by *Medway* resuming its RTT data submission at the start of this quarter after resolving issues related to its reporting system. If we excluded this trust, the FT sector saw a reduction from 198 at the end of March 2015 to 100 at June 2015.

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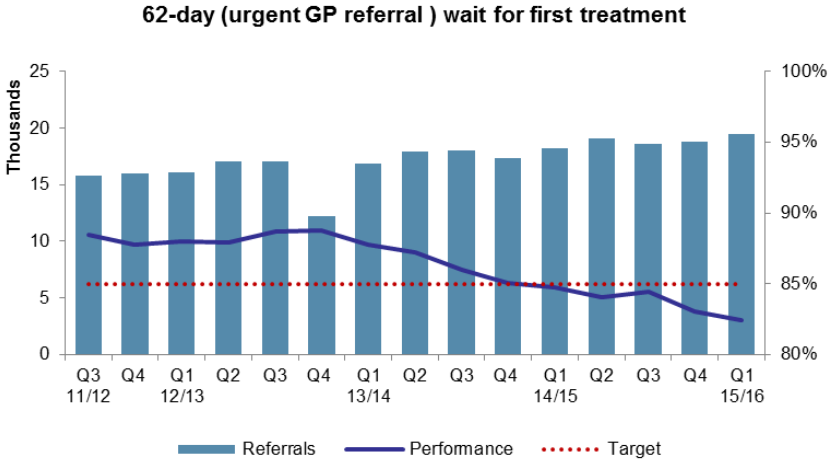
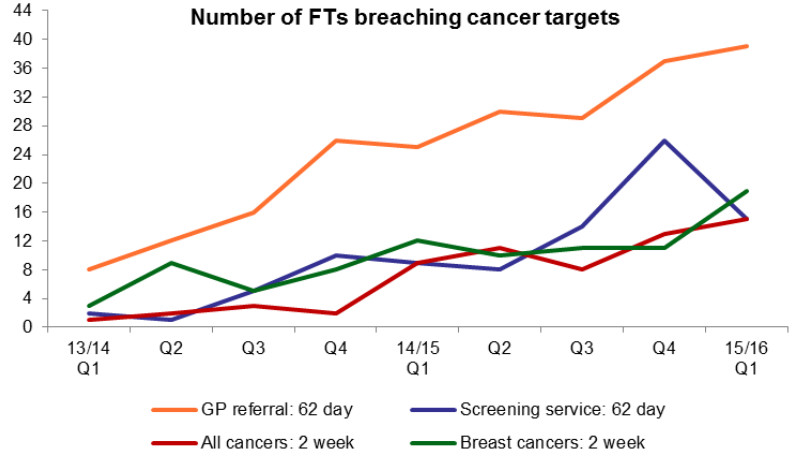
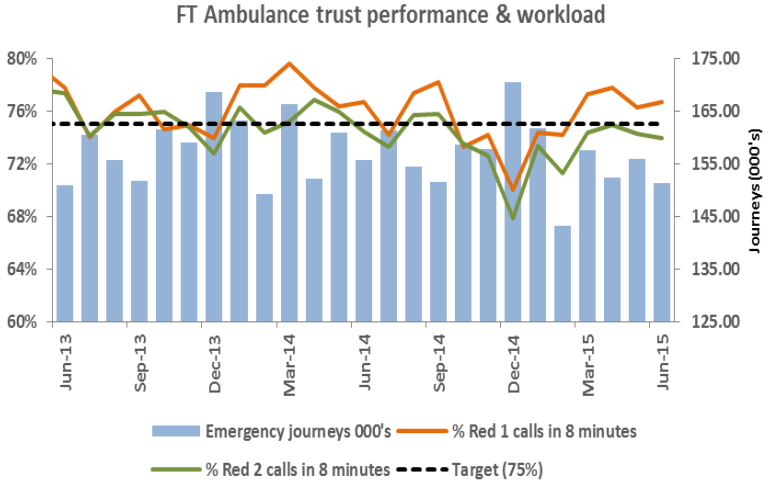
2.4 Cancer waiting time

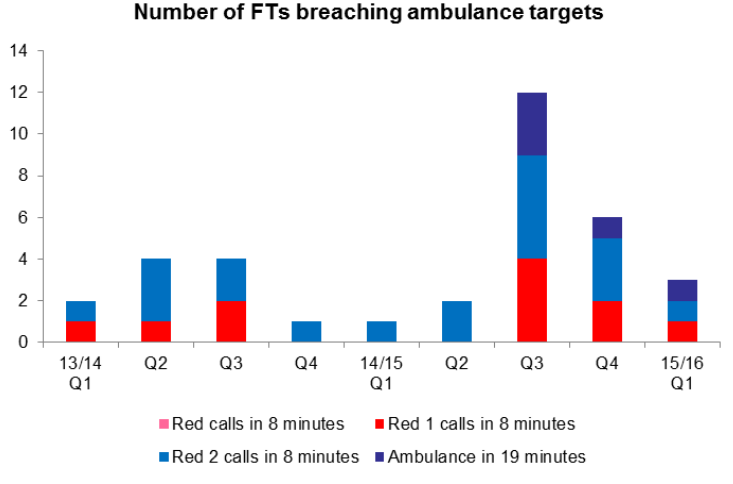




- FTs continued to meet the cancer waiting time standards for 62-day screening services, 31-day diagnostic treatment, and 2-week urgent GP referrals. However, the performance against the cancer 62-day urgent GP referral target continued to decline steadily, failing the 85% target for the fifth consecutive quarter in Q1 2015/16 with a performance of 82.4% (compared to a performance of 84.7% in the same period last year).
- 39 trusts breached the cancer 62-day target in Q1 2015/16 including 20 trusts failing at least one of the other cancer targets. This was 14 more than Q1 2014/15. The increased number of referrals and diagnostic results delays were the top challenges cited by over 50% of FTs in response to our survey.
- In Q1 2015/16, demand rose further and 19,488 patients were referred by GPs for urgent cancer treatment. This was 7.1% higher than Q1 2014/15 (a 3.1% rise on a like-for-like basis). As a result, the median waiting time rose from 43 days last quarter to 45 days this quarter, nearly two day longer than Q1 2014/15. The waiting times for lower gastrointestinal and head and neck treatments were particularly long averaging around 55 days.
- In addition, delays in diagnostic tests, especially in endoscopic procedures (such as colonoscopy) also added to the pressures in delivering the 62-day cancer target. Nationally, Monitor along with the TDA and NHSE have taken a coordinated approach to improving the endoscopy waiting time. This is likely to reduce the overall waiting times.
- To help understand demand and capacity better, a national weekly collection was established in July to track activities and capacity to inform national decisions and actions.

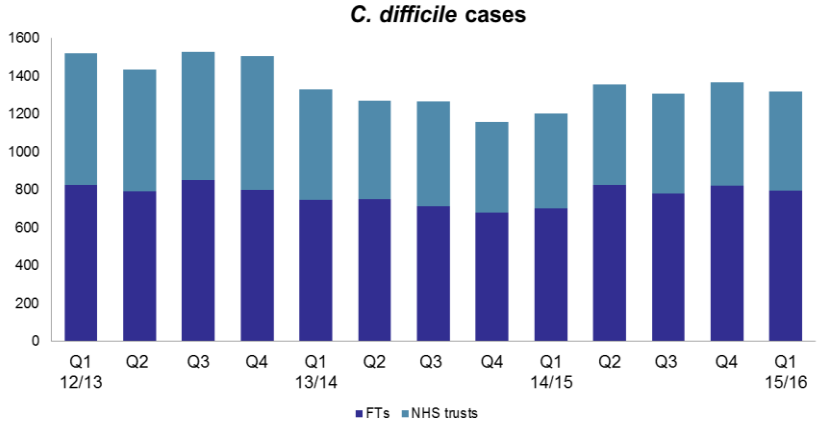
2.5 Ambulance response times

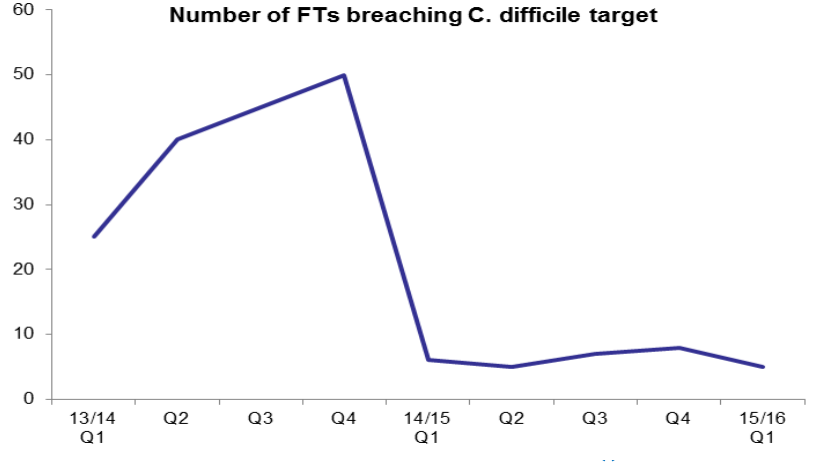




- In Q1 2015/16, FT ambulance services received 910,888 emergency and urgent calls including 18,842 Red 1 (the most time critical patients) and 309,643 Red 2 (serious but less time critical) calls, a 11.6% rise compared to Q1 2014/15. Despite the rising demand, the calls only resulted in 459,475 emergency journeys being made, which was a 2.0% fall compared to Q1 2014/15.
- FTs responded to 76.7% of Red 1 calls within eight minutes and 95.3% of Category A calls (life threatening) within 19 minutes, meeting both response time targets in Q1 2015/16. However, the sector has failed the response time target for Red 2 calls for the fourth consecutive quarter with a performance of 73.9%, which was a decline from 75.7% achieved in Q1 2014/15.
- The deterioration in performance against Red 2 calls was due to an ongoing dispatch on disposition pilot at South Western Ambulance Service Foundation Trust (SWAST). The pilot allows call handlers extra time to triage when responding to calls deemed not immediately life threatening, so that they can make the right clinical decision for patients and allow ambulances to be dispatched to where they are needed the most.
- However, this extra assessment time does have an impact on the overall performance. Therefore, if SWAST's performance had been excluded, the sector would have achieved Red 2 target this quarter with a performance of 76.1%.
- In April, the Department of Health (DH) published high impact actions with the aim to improve the ambulance trusts' responses time. We have encouraged all ambulance FTs to adopt them.

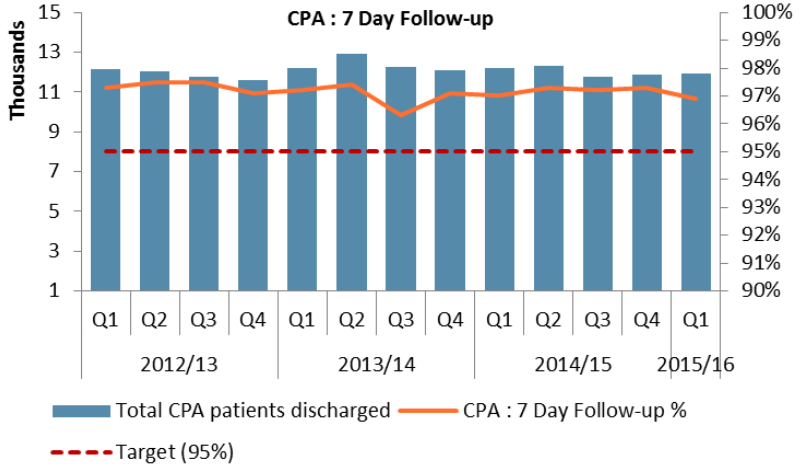
2.6 Infection control

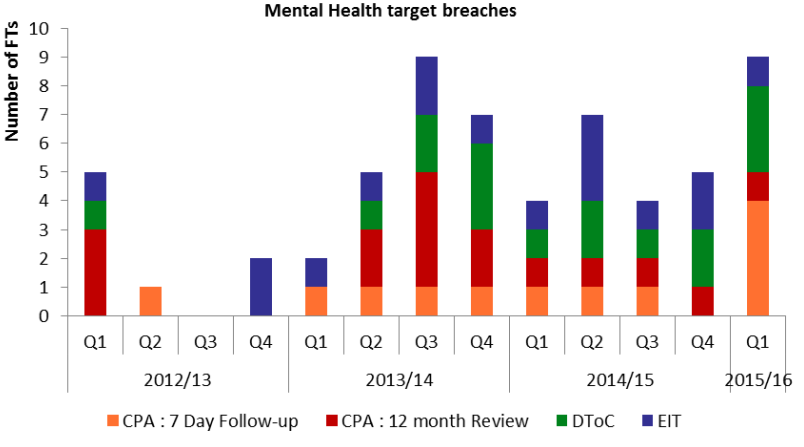




- According to the Public Health England's *C. difficile* monthly infection counts, 794 out of 1,316 recorded *C. Difficile* cases were attributable to the FT sector at the end of June 2015. This was a rise of 95 cases compared to Q1 2014/15 but a decline of 25 cases (3.1%) compared to Q4 2014/15.
- Of those cases attributable to FTs, 330 (or 42%) cases were confirmed to be the result of lapses in care, and a further 225 cases are currently being reviewed by CCGs to determine whether they are due to lapses in care. This was a slight improvement on the previous quarter's performance which saw FTs reporting a total of 391 cases resulting from lapses in care.
- A change to *C. difficile* target calculation methodology in 2014/15 meant that performance would now only be measured based on cases caused by lapses in care. This has led to a sharp decline in the number of trusts breaching the target.
- In Q1 2015/16, five FTs failed the *C. difficile* target, including one trust that has consistently failed for five quarters and one that has failed for three quarters.

2.7 Mental Health





- FTs providing mental health services are currently monitored against four standards. These standards aim to improve patient experience and access to support and early intervention.
- In Q1 2015/16, FTs in aggregate saw 96.9% of patients on the Care Programme Approach (CPA) within seven days of being discharged from inpatient care. Although this was 0.1% fewer than the previous quarter and 0.41% fewer than Q1 2014/15, the 95% target continues to be achieved by the FT sector as a whole. While no FT breached the target in Q4 14/15, Q1 2015/16 saw four FTs falling below the 95% target.
- Out of the 43 Mental Health FTs, one trust failed to review 95% of patients on the CPA within 12 months, and another trust's Early Intervention Team (EIT) failed to see more than 95% of new patients with psychosis within two weeks of referral.
- Three trusts breached the target for delayed transfers of care (DToCs) with over 7.5% of patients experiencing delays. This was an increase from two trusts in the previous quarter, with one trust having missed the target for the last two consecutive quarters. The trust has identified the causes and is working with a number of bodies around a range of actions in areas such as the Later life and Memory services and Secure Services, to minimise the delays. Monitor is observing the position closely, and we are not aware of any cases of patient harm resulting from the delays, and expect the trust to inform us accordingly if this changes/they require further information.
- The Department of Health has introduced several new standards designed to further improve access to services, and they have been reflected in our updated Risk Assessment Framework (RAF).
- Early Intervention in Psychosis (EIP) standard will be monitored indicatively from Q4 2015/16 and two Improved Access to Psychological Therapies (IAPT) standards will be monitored from Q3 2015/16. From our survey of FTs, all 43 Mental Health providers said that they would be able to report the required information for the new standards, with 40 trusts indicating that they would meet the new standards.

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3.0 Financial performance

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3.1 Income & expenditure

3 months ended 30 June 2015	Q1 2015/16 Actual £m	Q1 2015/16 Plan £m	Variance to plan £m	Variance to plan %	Q1 14/15 Actual £m
Operating Revenue for EBITDA	**11,246**	**11,247**	**(1)**	**0.0%**	**10,468**
Pay costs	(7,411)	(7,352)	(59)	0.8%	(6,776)
Other operating expenses	(3,729)	(3,720)	(8)	0.2%	(3,340)
EBITDA	**106**	**174**	**(68)**	**-39.1%**	**353**
Depreciation	(325)	(331)	6	-1.7%	(305)
Finance costs	(94)	(96)	2	-1.8%	(90)
PDC dividend	(142)	(144)	1	-0.9%	(128)
Other non-operating items	19	57	(38)	-66.1%	9
Restructuring costs	(9)	(15)	7	-43.3%	(6)
Net surplus/(deficit)	**(445)**	**(354)**	**(90)**	**25.5%**	**(167)**
Gains/(losses) on transfers	0	0	0	0.0%	0
(Impairments)/ reversals	(5)	(8)	3	-36.5%	(2)
Net surplus/(deficit) after impairments & transfers	**(450)**	**(363)**	**(87)**	**24.1%**	**(170)**
EBITDA %	0.9%	1.5%			3.4%
Net Surplus %	-3.9%	-3.1%			-1.6%

3 months ended 30 June 2015	Acute 83 FTs Actual £m	Mental Health 43 FTs Actual £m	Specialist 17FTs Actual £m	Community 5 FTs Actual £m	Ambulance 3 FTs Actual £m
Operating Revenue for EBITDA	7,919	2,210	744	139	234
Pay costs	(5,072)	(1,641)	(436)	(98)	(164)
Other operating expenses	(2,875)	(466)	(288)	(37)	(62)
EBITDA	**(27)**	**102**	**19**	**3**	**8**
Net surplus/(deficit)	**(437)**	**7**	**(11)**	**(0)**	**(4)**
Net surplus/(deficit) after impairments & transfers	**(441)**	**6**	**(11)**	**(0)**	**(4)**
EBITDA %	-0.3%	4.6%	2.6%	2.4%	3.3%
Net Surplus %	-5.5%	0.3%	-1.4%	-0.0%	-1.7%

- The FT sector ended the first three months of the financial year 2015/16 with a £445m net deficit. This was £90m worse than that planned and larger than the full year £349m deficit for 2014/15.
- While operating revenue was almost as planned, excess pay costs and non pay costs (£59m and £8m over plan respectively) reduced EBITDA by a third from the planned value. The other major variance which contributed to the overall deficit was in "other non-operating items", which was due to several planned donations and one property transfer with a value of £12.7m at South Tyneside NHSFT being delayed.
- Although FTs employed just 0.1% (or 752) more staff than planned during the quarter, they have hired some 7,200 more agency staff than planned to compensate for the shortfall in the planned permanent workforce. The premium costs of agency staff have had significant consequences on FTs' financial performance, especially acute FTs.
- 118 FTs reported a year-to-date deficit. 75% of these trusts were acute or specialist trusts. 34 of the deficit trusts reported a year-to-date deficit of over £5m, with the single largest individual deficit being reported by *King's* (£33m). Mental Health FTs were the only group to report a small bottom line surplus in aggregate.
- The current financial performance is a reflection of the sustained financial pressures on the sector and a tough operating environment faced by FTs. FTs' plans for 2015/16 appear to be more realistic than in prior years, but the latest forecast is that the FT sector will end the year with a deficit of around £1bn.

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3.2 Revenue analysis

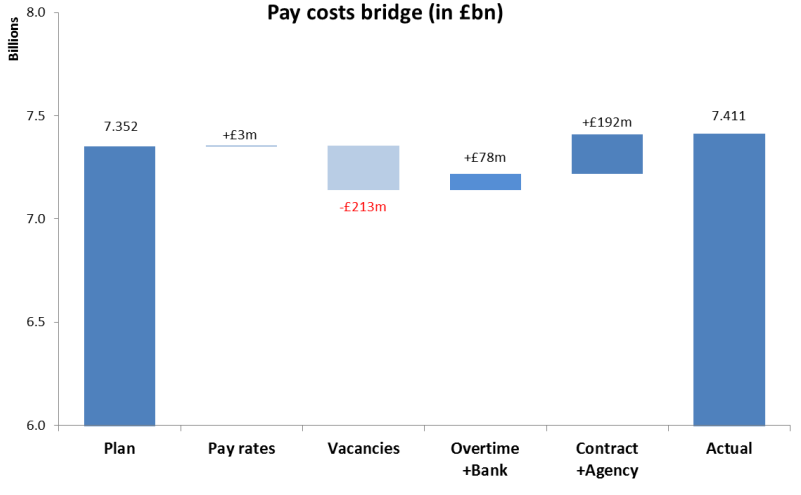
3 months ended 30 June 2015	Q1 2015/16		Variance to plan		Q1 2014/15
	Actual £m	Plan £m	£m	%	Actual £m
Ambulance	223	227	(3)	-2%	214
Community	908	891	17	2%	747
Mental health	1,483	1,490	(7)	0%	1,390
Elective in-patients	716	759	(43)	-6%	721
Elective day cases	632	630	1	0%	603
Outpatients	1,172	1,185	(13)	-1%	1,089
Non-elective in-patients	1,692	1,672	20	1%	1,597
A&E	265	265	(0)	0%	235
Maternity	204	212	(7)	-3%	191
Diagnostic tests & Imaging	97	95	2	2%	99
Critical care: Adult, Neonate, Paediatric	361	363	(2)	0%	327
Other drugs revenue (incl. Chemotherapy)	70	72	(2)	-3%	112
Direct access & Op, all services	100	95	5	5%	82
Unbundled chemotherapy delivery	43	45	(2)	-4%	39
Unbundled external beam radiotherapy	45	46	(0)	-1%	47
CQUIN Revenue	114	114	0	0%	125
Other NHS clinical revenues	1,711	1,673	38	2%	1,515
NHS contract penalties or adjustments	(26)	(14)	(12)	82%	(17)
Non-NHS clinical revenues	246	250	(4)	-2%	193
Total clinical revenue	**10,057**	**10,069**	**(12)**	**-0.1%**	**9,309**
Research and Development	156	161	(4)	-3%	150
Education and Training	390	387	3	1%	373
Other non-clinical revenue	662	679	(17)	-3%	655
Total non-clinical revenue	**1,208**	**1,226**	**(18)**	**-1.5%**	**1,177**
Total operating revenue	**11,265**	**11,296**	**(31)**	**-0.3%**	**10,486**
Less: Donations & Grants of PPE	(19)	(49)	30	-62%	(17)
Total operating revenue for EBITDA	**11,246**	**11,247**	**(1)**	**0.0%**	**10,468**

- FTs' total operating revenues (for EBITDA) were £778m greater than Q1 2014/15. However on a like-for-like basis the operating revenue growth was only £216m (2.1%). FTs' total operating revenues for the quarter were on plan.
- Total clinical revenues were below plan by 0.1% due to activity growth falling short of plan. FTs had planned for ambitious activity growth (c.8% year-on-year growth based on a cost-weighted activity) for the quarter. Instead, cost weighted activity only grew by 5.3% (with an underlying growth of 3.2% excluding the impact of mergers and acquisitions).
- In particular, elective inpatient activity was 11% behind plan at Q1 despite a year-on-year growth of 2.7%, resulting in elective inpatient revenue being 6% below plan. While non elective inpatient activity was also slightly behind plan by 0.8%, increased acuity as well as a change to the marginal rate emergency tariff from 30% to 70% have led to non-elective inpatient revenue being 1% above plan and 2.1% higher than a year before.
- This year also saw two tariff options being introduced. In spite of losing their CQUIN revenues, the 22 FTs (excluding one new FT) which opted for the Default Tariff Rollover (DTR) option have managed a 4.6% revenue growth on the previous year whilst the growth rate for all other FTs on Enhanced Tariff Option (ETO) was 2.4%. However, those DTR trusts (mainly teaching and specialist trusts) have seen their revenue growth falling at a much faster pace than ETO trusts. In Q1 last year, DTR trusts' revenue grew by 7.2% whereas ETO trusts reported a growth of 4.1%.
- The FTs' revenue position was also impacted by £30m planned donations not received at several trusts. This was mitigated by a positive unplanned rise in other NHS clinical revenues.

3.3 Operating expenses

3 months ended 30 June 2015	Q1 2015/16 Actual £m	Q1 2015/16 Plan £m	Variance to plan £m	Variance to plan %	Q1 2014/15 Actual £m
Pay - employees	6,897	7,029	(133)	-2%	6,387
Pay - contract and agency staff	515	323	192	59%	389
Pay expense	**7,411**	**7,352**	**59**	**0.8%**	**6,776**
Ambulance operating costs	19	23	(5)	-21%	17
Clinical supplies	889	886	3	0%	894
Drugs*	453	459	(7)	-1%	861
Non Clinical Supplies*	293	291	2	1%	424
Purchase of health care services	198	183	15	8%	63
Consultancy costs	38	36	1	3%	34
PFI costs	110	113	(3)	-3%	103
Other operating expenses*	1,729	1,727	2	0%	944
Non Pay expense	**3,729**	**3,720**	**8**	**0.2%**	**3,340**
Total operating expenses for EBITDA	**11,140**	**11,073**	**67**	**0.6%**	**10,116**

* A change in the categories used in the 2015-16 Annual Plan means that the values for Q1 2015/16 and Q1 2014/15 In the above table are not directly comparable (for the asterisked rows only).



- Operating expenses were 0.6% above plan for Q1 2015/16 but 10.1% higher than the year before (or 4.7% on a like-for-like basis). In the previous year, overspend on agency staff was a main driver for the sector deficit. This trend continued in Q1 2015/16, as the largest individual adverse variance for the quarter was in spend on contract and agency staff (£192m).
- FTs' 2015/16 plan assumed an over 30% annual reduction in agency staff costs. However, trusts continued to experience recruitment difficulties, which was evidenced by a shortfall of 6,450 whole time equivalent (WTE) permanent staff this quarter. Largely as a result, the sector as a whole continued to rely on agency staff to fill vacancies and meet demand. The total number of agency staff employed by the FT sector in Q1 was over 20,130 WTE which was 7,200 WTE more than plan. Registered nurses, clinical support staff and locum doctors represented the large majority of the agency workforce.
- Contract and agency staff costs represented 6.9% of the total pay bill at Q1 2015/16, which was significantly higher than Q1 last year. FTs in London continued to have the highest spend on agency staff (8.3%). On average, we estimate the FT sector paid an agency premium of 142% during the quarter which is unsustainable if recruitment difficulties persist.
- Monitor and TDA wrote to providers in June, outlining new rules on using agency staff in the NHS. In August, a joint engagement document was published to consult on control measures to be introduced in order to reduce the amount spent on agency staff. These would include mandating the use of certain framework agreements, and stipulating a maximum spend on agency staff for each trust.
- In addition, the purchase of healthcare services also saw an unplanned increase of 8% in Q1 2015/16. The amount spent this quarter tripled the spend in Q1 last year and was largely driven by acute providers purchasing additional capacity.

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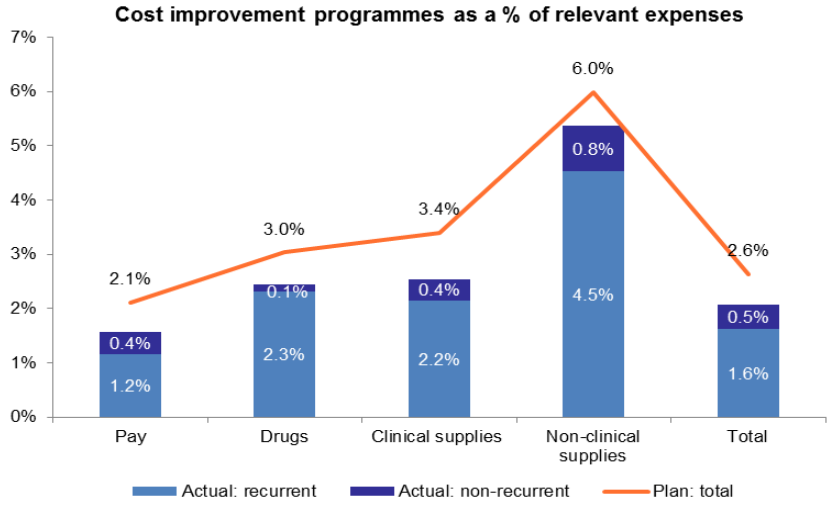
3.4 Cost improvement programmes



Cost improvement programmes as a % of operating expenditure	Jun-15 Q1 2015/16 Actual	Jun-15 Q1 2015/16 Variance from plan	Jun-14 Q1 2014/15 Actual	Jun-14 Q1 2014/15 Variance from plan
Teaching acute	2.0%	-0.7%	1.9%	-0.7%
Large acute	1.8%	-1.1%	1.7%	-1.0%
Medium acute	2.0%	-0.5%	2.2%	-0.7%
Small acute	1.9%	-0.4%	1.9%	-0.5%
Total acute	**2.0%**	**-0.7%**	**2.0%**	**-0.7%**
Mental Health	2.3%	-0.2%	2.8%	-0.3%
Specialist	1.6%	-0.6%	1.9%	-0.6%
Ambulance	3.5%	-0.1%	3.9%	0.5%
Community	2.9%	-1.0%		
Total	**2.1%**	**-0.6%**	**2.2%**	**-0.6%**

- In Q1 2015/16, total efficiency savings delivered through cost improvement programmes (CIPs) reduced controllable operating costs by 2.1% (or £232m). The level of savings achieved was £64m (or 22%) below plan, and was also slightly lower than 2.2% achieved in the same period last year.
- 65% of the CIPs shortfall was due to pay savings not being achieved. FTs had planned £158m of pay CIPs, but were only able to deliver £118m during the quarter, representing a 26% under-delivery. Many trusts cited that activity, quality and safe staffing pressures were the main reasons.
- Acute FTs were the major contributor to the under-delivery of pay CIPs, which accounted for 77% (or £31m) of the shortfall. Among them,12 acute FTs reported a shortfall of more than £1m, totalling £23m.
- Conversely, FTs were more successful with achieving efficiency savings in respect of non-clinical supplies. FT planned to achieve 6% savings in this area and delivered 5.3% during the quarter, which was higher than the level achieved (4.4%) in the same period last year. Lord Carter's interim findings published in June 2015 included a number of procurement saving opportunities, many FTs in the survey have told us that they are actively exploring these ideas.
- FTs had planned to deliver 91% of their efficiency savings through recurrent CIP schemes in Q1 during, but they had to rely on their non-recurrent schemes to compensate for the shortfall. This meant that 22% of the CIPs were non-recurrent, which was similar to the historical levels.
- In total, only 41 trusts have achieved their planned efficiency savings in Q1 2015/16. 61 trusts had a shortfall greater than 25% of their plan including 37 acute FTs. In our survey, most FTs said that the reason for under delivery in Q1 2015/16 was because of slippage in identified CIPs although 58% stated that they were confident that CIPs would be delivered.

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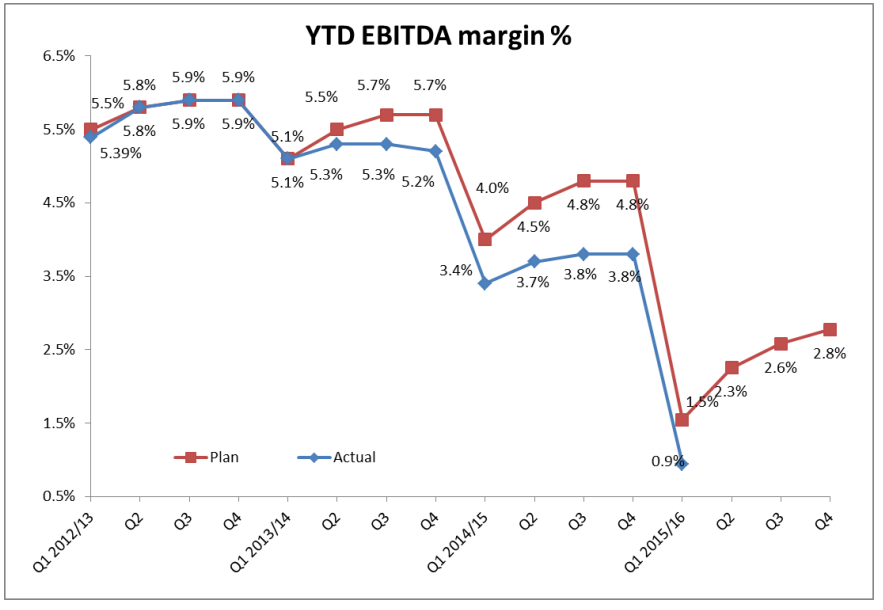
3.5 EBITDA margin



Trust Type	Q1 2015/16		Q1 2014/15	
	EBITDA %	Variance to plan %	EBITDA %	Variance to plan %
Teaching Acute	0.9%	-0.9%	4.0%	-0.9%
Large Acute	0.6%	-1.9%	5.0%	-0.8%
Medium Acute	-1.6%	-0.9%	1.5%	-1.0%
Small Acute	-1.8%	-0.4%	-0.4%	-0.9%
Acute	-0.3%	-0.9%	2.7%	-0.9%
Mental Health	4.6%	0.6%	5.0%	0.2%
Specialist	2.6%	-0.3%	5.4%	-0.2%
Ambulance	3.3%	-1.2%	5.5%	0.8%
Community	2.4%	-0.7%	n/a[1]	n/a[1]
Total	**0.9%**	**-0.6%**	**3.4%**	**-0.6%**

[1] Community FTs have only existed since 1 November 2015

- Mounting financial pressures have led the FT sector to project a sharp decline in the aggregate EBITDA margin this year. The planned aggregate EBITDA margin of 1.5% for Q1 2015/16 was significantly below the level achieved in previous years. However, the actual aggregate EBITDA margin at 0.9% for the quarter was worse than that planned.
- For the first time, the acute FTs as a whole reported a negative EBITDA margin (-0.3%) for Q1. Although small and medium acute trusts continued to be the most financially challenged groups among acute providers reporting negative EBITDA margins of -1.8% and -1.6% respectively, the falling EBITDA margin was observed across the whole of the acute sector. In particular, the performance of large acute trusts has declined at a much faster pace this quarter, due to a combination of CIPs slippage and rising agency staff costs.
- In contrast, mental health trusts had the highest aggregate EBITDA margin at 4.6%, higher than the planned 4.0%.
- Overall, no type of FT delivered an EBITDA margin above the 5% threshold which is used to assess FTs' long term financial sustainability. Individually, only 26 trusts have achieved the 5% threshold at Q1 2015/16. Of these, 16 were mental health trusts.
- Compared to the 15 trusts reporting a negative EBITDA margin at Q1 2014/15, the number of trusts with a negative EBITDA margin has now reached 48. Of these, 42 were acute trusts.
- Historically, the year-to-date EBITDA margin tended to improve as the financial year progresses due to accumulation of efficiency savings and additional incomes either as a result of higher than planned activity level or one-off support. However, in the past two years, the sector has consistently underperformed against the planned EBITDA trajectory and the level of improvement achieved in the second half of the year has not been sufficient to meet the planned level. There is a risk that this trend may continue in 2015/16.

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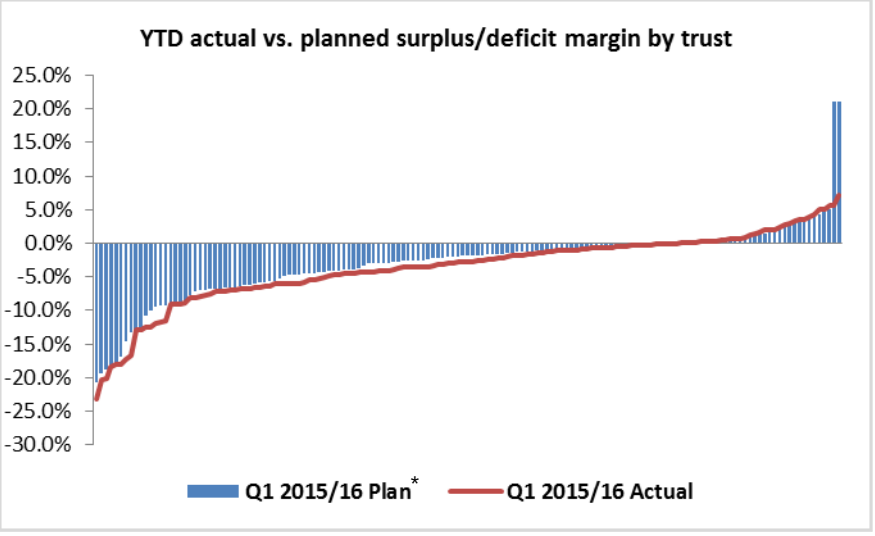
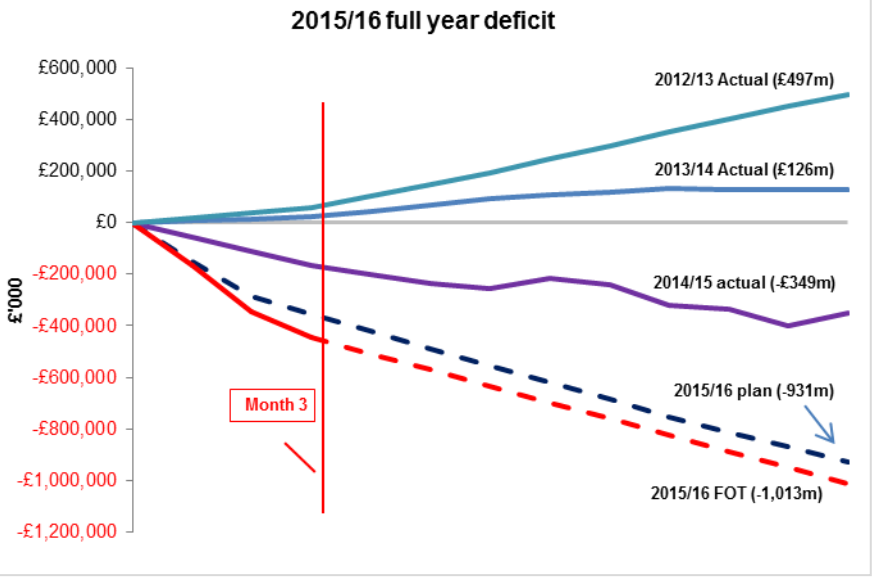
3.6 ‘S’ curve & full year deficit



* More information on the annual plans of FTs for 2015/16 is in section 5.0



- 2014/15 saw FTs’ financial performance decline significantly and the sector reported a large variance to plan. Our call for more realistic planning has led to FTs taking a more cautious approach to their 2015/16 annual plans. Reflecting recent performance trends and increased operational and financial pressures, 114 FTs planned for a deficit at Q1 2015/16.
- Although most FTs with a planned deficit margin at Q1 2015/16 performed below plan, the gap between plan and actual was relatively moderate as highlighted in the ‘S’ curve. However, FTs with planned large surplus margins saw a sharp fall in margin at Q1. This was mainly due to delays in planned donations.
- At Q1 2015/16, 14 FTs reported an unplanned deficit margin. 13 of these were small and medium acute trusts. In contrast, another 10 FTs mainly metal health trusts, delivered an unplanned surplus margin.
- FTs consider 2015/16 to be a much tougher year financially, and was reflected in the planned year-end deficit of £931m being nearly 2.7 times greater than that reported for 2014/15. On 2 June 2015, Monitor announced a package of interventions in order to mitigate some of the risks. Although these measures and controls are expected to have a positive impact on FTs’ financial position, major opportunities are likely to take time to materialise.
- Erosion in FTs’ financial confidence and unabated operational pressures have led FTs to forecast a year-end deficit of just over £1bn.
- The size of this projected deficit was unaffordable. Between May and July 2015, Monitor visited 46 trusts with the biggest planned deficits. We reviewed and challenged their annual plans in depth. In addition, we wrote to all FTs in August encouraging them to take a further look at their plans and explore any further options to reduce the deficit. We are currently reviewing all the responses from FTs.

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3.7 Balance sheet

3 months ended 30 June 2015	30 June 2015		Variance to plan		31 March 2015
	Actual £m	Plan £m	£m	%	Actual £m
Property, etc. (owned and PFI)	26,022	26,058	(36)	-0.1%	25,838
Other non-current assets	817	828	(11)	-1.3%	785
Total non-current assets	**26,839**	**26,887**	**(47)**	-0.2%	**26,623**
Inventories	541	544	(3)	-0.5%	539
Trade & other receivables	1,931	1,898	33	1.8%	1,982
Accrued revenue	663	481	182	37.8%	465
Prepayments	602	474	128	27.1%	439
Cash & Equivalents	3,750	3,650	100	2.7%	3,987
Other current assets	96	94	2	1.8%	138
Total current assets	**7,583**	**7,141**	**442**	6.2%	**7,549**
Borrowings	(381)	(397)	16	-3.9%	(384)
Accruals	(1,987)	(1,739)	(249)	14.3%	(1,779)
Trade & other payables	(3,080)	(2,961)	(119)	4.0%	(2,577)
Deferred income	(706)	(549)	(157)	28.6%	(548)
Provisions	(259)	(245)	(14)	5.7%	(286)
Other current liabilities	(87)	(95)	7	-7.6%	(440)
Total current liabilities	**(6,501)**	**(5,985)**	**(516)**	8.6%	**(6,015)**
Net current assets	**1,082**	**1,156**	**(74)**	-6.4%	**1,534**
Borrowings	(2,474)	(2,505)	31	-1.2%	(2,239)
Deferred income	(151)	(153)	3	-1.7%	(153)
Provisions	(304)	(294)	(10)	3.5%	(311)
PFI leases	(4,196)	(4,193)	(3)	0.1%	(4,211)
Other non-current liabilities	(78)	(92)	14	-15.2%	(189)
Total non-current liabilities	**(7,203)**	**(7,237)**	**35**	-0.5%	**(7,103)**
Total funds employed	**20,719**	**20,805**	**(86)**	-0.4%	**21,054**
Retained earnings	581	658	(76)	-11.6%	929
Public Dividend Capital	14,395	14,416	(21)	-0.1%	14,340
Revaluation reserve	5,632	5,620	11	0.2%	5,694
Other reserves	111	111	0	0.1%	100
Total taxpayers' equity	**20,719**	**20,805**	**(86)**	-0.4%	**21,063**

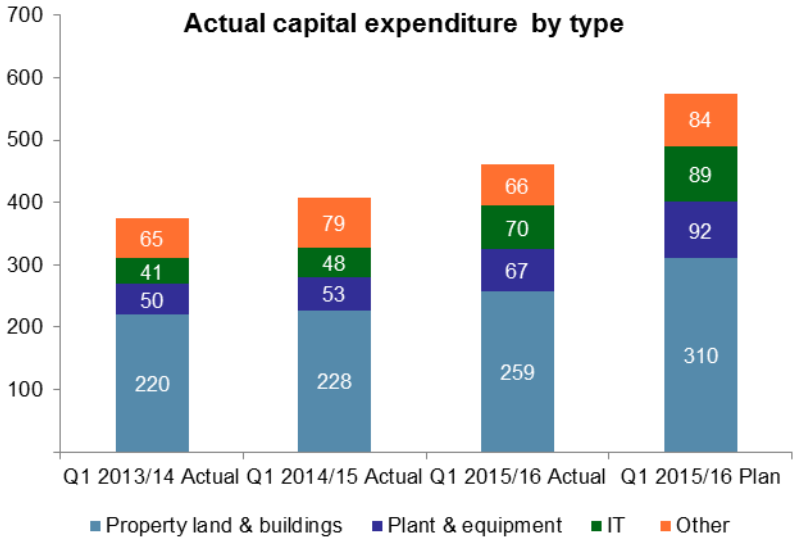
- FTs' non-current assets have increased by £216m since 31 March 2015. Net new PFI assets of £93m were added including an £85m scheme at *Manchester*, £31m at *Norwich*, £15m at *Oxleas* and £10m at *Gloucester*, against a PFI write down of £46m at *Derby*. The other year-to-date movements in non-current assets came from £460m of capital expenditure/additions, £325m of depreciation, £5m of reverse impairment and revaluation losses, £2m of donated assets and £26m of asset disposals. The newly authorised FT contributed £49m worth of owned assets (and £5m PFI).
- Trade receivables at £1.9bn were slightly above plan (and down £50m or 2.5% since the start of the year). Just £6m of this related to the new FT. This represents a "receivable days" measure of 15.2 against a plan of 14.9 and 16.2 at the start of the year.
- Impairment of gross trade receivables for doubtful debts has increased to 13% (£289m) from 10.8% (£239m) at the start of the year, an indication of a growing lack of confidence in commissioners' ability and/or willingness to settle providers' bills in full.
- Trade payables were £119m higher than planned, and have increased by just £61m (2%) since the start of the year. £13m of this was attributable to the new FT. This represented a "payables days" measure of 57.7 days against a plan of 57.4 days and 65.2 days at the start of the year.
- Cash and equivalents was £237m down from the start of the year, but this fall was £100m less than planned. The main driver for this was the £98m underspend on capital schemes.
- This year, interim financial support provided by the DH under the distressed provider regime is in the form of loans rather than PDC funding. In Q1 2015/16, 11 FTs borrowed a total £105.5m DH loans under this regime, and other FTs borrowed £257m from DH to fund capital projects. The £48m increase in PDC since 31 March 2015 includes £35m PDC in the newly authorised FT plus £8m new PDC funding from the DH.

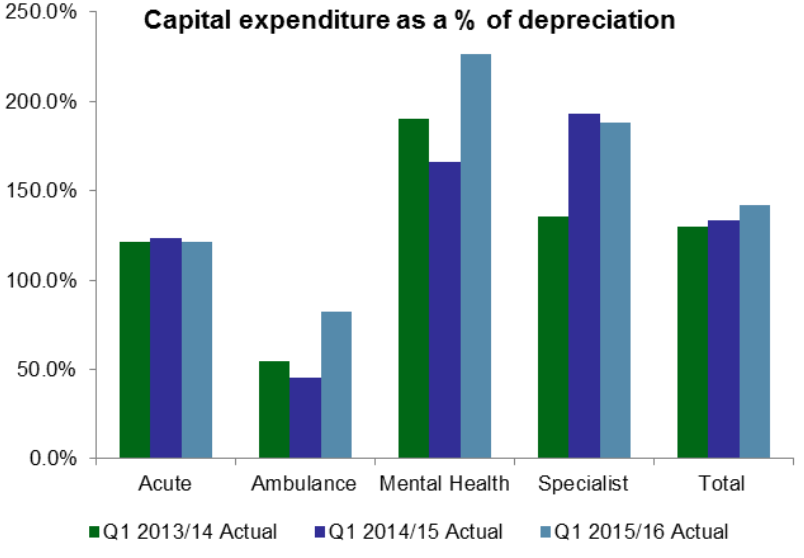
3.8 Cash flow

3 months ended 30 June 2015	Q1 2015/16		Variance to plan		Q1 14/15
	Actual £m	Plan £m	£m	%	Actual £m
Deficit from operations	**(214)**	**(132)**	(83)	63%	**(170)**
Non operating & non cash items	323	311	12	4%	517
Working capital movements	70	(87)	157	-181%	(81)
Net cash inflow/(outflow) from operating activities	**179**	**92**	**86**	**94%**	**266**
Capital Expenditure	(533)	(630)	98	-15%	(516)
Other investing activities	19	45	(26)	-58%	0
Net cash inflow/(outflow) from investing activities	**(514)**	**(586)**	**72**	**-12%**	**(516)**
PDC capital movements	8	30	(22)	-73%	81
PDC dividend payments	(0)	(6)	6	-98%	(0)
PFI interest & capital payments	(111)	(112)	1	-1%	(105)
Finance lease interest & capital payments	(12)	(11)	(1)	11%	(8)
Loans drawn / (repaid), net	185	226	(41)	-18%	89
Other financing activities	(23)	2	(24)	-1553%	(14)
Net cash inflow/(outflow) from financing	**47**	**128**	**(81)**	**-63%**	**42**
Net cash inflow/(outflow)	**(288)**	**(365)**	**77**	**-21%**	**69**
Opening Cash & Equivalents	3,976	3,963	13		4,513
Cash & Equivalents from transfers by absorption	37	37	0	0%	0
Cash & Equivalents in new FTs at authorisation	16	16	-	0%	21
Closing Cash & Equivalents less overdraft	**3,740**	**3,650**	**90**	**2.5%**	**4,017**

- Cash held by FTs has continued to fall since last year, and as at Q1 2015/16, the closing cash position of the sector was £3.7bn. This was £90m better than plan despite the sector's operating deficit being £83m worse than plan. FTs have achieved this by managing their working capital and reducing their planned capital expenditure in Q1 2015/16.
- FTs' working capital movements comprised increased cash inflow of £163m deferred income and £247m accruals against plan. There was also an increased cash outflow against plan of £189m accrued income and £167m prepayments. However the increased cash inflow was greater then cash outflow, and the net working capital movement was a net increase of £157m against plan.
- Capital expenditure (on an accruals basis) was 20% (or £115m) less than plan, which meant that cash paid for capital expenditure was £98m less than plan. This is on a similar level to historical underspend. However, capital expenditure (cash paid) still exceeds cash generated from operations, and given the current financial challenges, most FTs will not be able to continue this level of spend without facing a cash shortage.
- Loans are one source of financing that FTs can use, and although at Q1 2015/16 FTs' net borrowing (loans received less loans repaid) was 18% less than plan at £185m, this was still over double the amount for the same period last year (£89m). This indicates that trusts are struggling with their cash position, which is evidenced by the fact that £105.5m was interim support loans, of which £2.5m was for capital expenditure and £103m was for revenue.
- Acute FTs accounted for 86% (£159m) of the net borrowings, with medium acute FTs receiving the most cash at £68m, followed by teaching acute FTs at £50m and small acute FTs at £42m. Large Acute FTs actually repaid £1m of loans.

3.9 Capital expenditure





- FTs have planned to spend 10.3% more on capital schemes this year (on an accruals basis excluding new FTs). However, FTs have a tendency to underspend against their capital plans.
- Capital expenditure at Q1 2015/16 was £461m against a plan of £575m, representing an underspend of 20%. The level of underspend was lower than the historical level which was around c.25%.
- Over 85% of FTs have told us in our survey that they did not expect to over- or underspend their capital plans by more than 15%. At Q1 2015/16, mental health trusts (excluding one newly authorised trust) only spent 3.5% less on their capital schemes than that planned, compared to 29.6% in Q1 2014/15. The total amount spent on capital schemes by these trusts increased by 51% compared to Q1 2014/15. This may reflect the anticipated increase in mental health spending and demand illustrated by the chancellor's announcement, in the March budget, of an extra £1.25bn to improve mental health services. The specialist trusts, however, reported the highest level of underspend against plan at 30.5% during the quarter.
- Continuing the trend from 2014/15, capital expenditure continued to exceed the depreciation in Q1 2014/15. Actual capital expenditure was 141.9% of depreciation at Q1 against a plan of 174.1%, and 8.4% higher than Q1 2014/15. In addition to Mental Health FTs investing more in their capital schemes, ambulance FTs' capital expenditure also rose by 79.9% year-on-year.
- FTs had a 62.4% capital shortfall (on a cash basis) compared to cash generated from operating activities and asset sale proceeds which was a reduction against a plan of 80.4%. Given the current financial performance and size of the deficit, this level of capital expenditure will not be sustainable.

4.0 Regulatory performance

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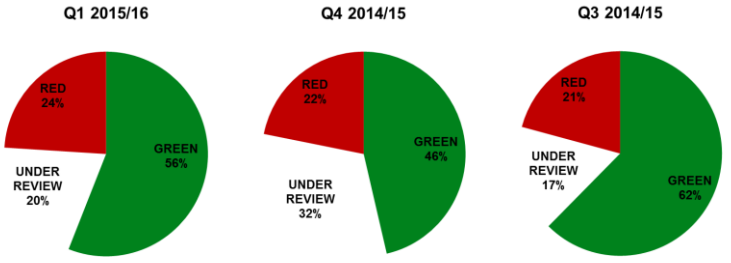
4.1 Risk assessment framework

- The Risk Assessment Framework (RAF) sets out our approach to overseeing each FT's compliance with two aspects of its provider licence: the continuity of services and governance licence conditions.
- Under the RAF published in October 2013, each FT is assigned two risk ratings, a governance risk rating (GRR) and a 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.
- However, the NHS is facing unprecedented financial and operational pressures. Given the challenging context, we launched a consultation in June 2015. A number of new measures were proposed with an aim to strengthen our regulatory regime and to support improvements in financial efficiency across the sector. This has led to the RAF being updated in August 2015.
- The new measures introduced include an income and expenditure (I&E) margin metric and a variance from plan metric in addition to the existing capital service metric and liquidity metric to form a new financial sustainability risk rating (FSRR), replacing the existing COSRR. This new rating will be applied to all FTs from August 2015.
- For our Q1 2015/16 reporting, we continue to apply both GRR and COSRR to each FT.

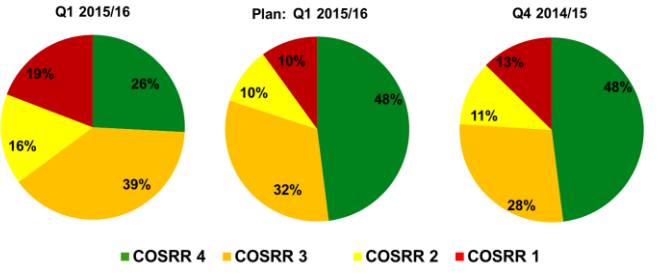
4.2 Current risks

GRR



- Under the RAF, a trust will receive a GRR red rating if we decide to take enforcement action against it. Enforcement action may be taken by us if a trust has breached or is breaching one or more of its licence conditions.
- Between April and September 2015, Monitor decided to take enforcement action at six acute trusts (St George's, Lancaster Teaching, Sunderland, Warrington, Wirral and Cambridge) following the course of formal investigations. One trust (Bolton) has successfully improved its financial management and planning, and returned to compliance. As a result, the total number of trusts subject to enforcement actions currently stands at 37.
- Among the red-rated trusts, four are mental health trusts and the rest are all acute trusts. This reflects the significant operational and financial pressures faced by the acute trust sector, especially the medium and small sized trusts as they make up 70% of red-rated trusts.
- Regionally, London currently has only two red-rated trusts, whereas both the Midlands and North regions have 14 and 15 respectively, and the South region has six.
- At the time of reporting, the ratings of 26 trusts were in the process of being reviewed and agreed, including ten trusts which are currently being investigated.

COSRR



- COSRR is intended to identify the level of risk to the on-going availability of key services.
- Despite the financial challenges and the size of the deficit, a trust reporting a deficit will not always receive a low COS risk rating, provided that FTs continue to have sufficient cash and other reserves to ensure both financial and service sustainability without any detrimental impact on patient care.
- At Q1 2015/16, 53 trusts received a COS risk rating of 1 or 2, of which 32 had a COSRR of 1 or 2 in the previous quarter. Of those, 46 are acute trusts, reflecting the significant financially challenges that the acute sector is currently facing.
- 24 of the trusts receiving a COSRR 1 or 2 are now subject to enforcement action. Investigations have been opened at three trusts, and further information is currently being gathered from five to determine whether formal investigations are necessary.
- In addition, the COSRR 1 or 2 ratings reported by 23 trusts were unplanned this quarter, of these 17 are acute trusts, four community trusts, one specialist trust and one community trust.

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. These triggers include financial risks, failing access and outcome metrics or governance indicators, reports from the Care Quality Commission (CQC) or other third party.
- Trusts being considered for investigation and being formally investigated are both deemed to be "under review" with respect to their governance risk rating. At the time of reporting, 26 trusts* were under review.

Under investigation

- Since April 2015, we have launched nine new investigations (see "*trusts under investigation*" table) in addition to three ongoing investigations. Investigation launched in July at Cambridge University Hospitals NHSFT into its deteriorating financial performance was concluded in September, and we have decided to take enforcement action at the trust.
- Financial sustainability concern was either the main reason or a major reason for six investigations (including Cambridge) opened since April 2015, reflecting the growing financial challenges faced by the sector.
- Between April and September 2015, we have decided to take enforcement actions at six trusts (including Cambridge) following the conclusion of our investigations.

Requesting further information

- Further evidence is being gathered in relation to 16 trusts to determine whether a formal investigation should be opened into a potential breach of the conditions of their provider licence.

Trusts under investigation

Trust	Main concerns being investigated	Date
New investigations launched since Q4 2014/15		
Southend**	Financial sustainability concerns at the trust due to deterioration in financial performance	Jun 2015
Robert Jones	Governance concerns triggered by breach of RTT targets	Jun 2015
Gloucestershire	Governance concerns triggered by multiple breaches of A&E target	Jun 2015
Derbyshire Healthcare	Governance concerns triggered by the findings of a third party report	Jul 2015
Kingston	Governance and financial sustainability concerns, triggered by multiple breaches of the A&E target and financial deterioration	Jul 2015
Oxford Health	Monitor is investigating financial sustainability concerns at the trust, triggered by a deterioration in the trust's financial position	Jul 2015
Mid Cheshire	Financial sustainability concerns at the trust, triggered by a deterioration in the trust's financial position	Aug 2015
Black Country Partnership	Financial concerns triggered by a COSRR of 2	Sep 2015
Ongoing investigations		
Cambridge & Peterborough	Financial sustainability concerns	Apr 2015
Gateshead	Financial sustainability concerns	Mar 2015
Taunton & Somerset	Governance concerns triggered by breach of RTT targets	Nov 2014
Investigation launched and concluded since Q4 2014/15		
Cambridge	Financial sustainability concerns triggered by a COSRR of 2	Jul 2015

** The figure above exclude both Cambridge and Southend.*
*** Southend has a GRR red rating due to breach of A&E target. Investigation is open for financial sustainability concerns.*

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4.4 Enforcement actions and special measures

- Under the *RAF*, any trust with a GRR red rating is subject to Monitor's enforcement action. At the time of this report, 37 trusts had received a GRR red rating, an increase from 32 at Q4 2014/15. The change was due to our decision to take enforcement action at six trusts and one trust returning to compliance:
  - Following Monitor's investigation into deteriorating financial performance at the following six trusts, enforcement actions were taken against them:
    - Lancashire Teaching Hospital NHSFT (June 2015);
    - St George's University Hospital NHSFT (July 2015);
    - City Hospital Sunderland NHSFT (August 2015);
    - Warrington and Halton Hospitals NHSFT (August 2015);
    - Wirral University Teaching Hospital NHSFT (August 2015); and
    - Cambridge University Hospitals NHSFT (September 2015)
  - Bolton NHSFT has now successfully improved its financial management and planning, we have now ended the enforcement action at the trust.
- Eight trusts, subject to enforcement action, are in special measures for failing to provide good and safe care to patients, including Cambridge University Hospitals NHSFT which received an overall rating of "inadequate" from the CQC in September 2015 due to concerns about staffing levels, delays in outpatient treatments and governance failings. The Queen Elizabeth Hospital King's Lynn NHSFT and Tameside Hospital NHSFT have both made significant improvement to the quality of care. As a result, the trusts have been formally removed from special measures. However, both trusts are still subject to enforcement actions.

37 trusts are subject to enforcement action
(foundation trusts in special measures)*

Barnsley	Kettering	Sherwood Forest*
Basildon	King's	Southern Health
Burton*	King's Lynn	Southend
Calderdale	Lancashire Teaching	South Tees
Calderstones	Medway*	South Manchester
Cambridge University*	Milton Keynes	St George's
Colchester*	Morecambe Bay*	Stockport
Cumbria Partnership	Northern Lincolnshire and Goole	Sunderland
Derby	Norfolk and Norwich	Tameside
Dudley	Norfolk and Suffolk*	Warrington
East Kent*	Peterborough	Wirral
Great Western	Rotherham	
Heart of England	Royal Berkshire	

4.5 Other regulatory actions

CQC warning notices

- During Q1 2015/16, there were no warning notices issued against any FTs.

Contingency planning and other regulatory work

- The work carried out by a Contingency Planning Team (CPT), aiming to develop plans to secure future services for patients at the Queen Elizabeth Hospital Kings Lynn NHS Foundation Trust, concluded in August 2015. The report, developed in conjunction with the trust, commissioners, and other local stakeholders, has been published along with a local implementation plan to drive forward the CPT recommendations. Monitor continues to work with the local system to deliver the implementation plan.
- A review of health service provision in Milton Keynes and Bedfordshire has now been completed, and a programme board (attended by Monitor, NHS England and the NHS Trust Development Authority) has been set up to coordinate further detailed work as commissioners prepare for consultation. Voluntary enforcement undertakings have been agreed with Milton Keynes Hospital NHS Foundation Trust to ensure that the trust continues to address short term performance issues and plan for each of the scenarios being considered by commissioners.
- A CPT has was appointed for Tameside Hospital NHS Foundation Trust in late 2014. The CPT reported to Monitor in summer 2015 and the report is to be made public in September 2015 after being shared with major local stakeholders. The CPT tested the viability of an integrated care model for the population of Tameside and developed an implementation plan which will be overseen by a programme board comprising local stakeholders.
- Monitor, with national partners, continues to work collaboratively to oversee the system transformation programme run by Cambridge and Peterborough CCG, which impacts Peterborough and Stamford Hospitals NHS Foundation Trust, Cambridge University Hospitals NHS Foundation Trust and Cambridgeshire and Peterborough NHS Foundation Trust. This work seeks to secure sustainable services for patients across the local area.
- In March 2015, an ‘enhanced buddying’ arrangement was agreed between Medway NHS Foundation Trust and Guy’s and St Thomas NHS Foundation Trust. The collaboration is aimed to support the leadership team at Medway to improve quality of care. Initial feedback suggests an encouraging start has been made in the agreed areas of support. We continue to monitor progress and expect to see evidence of impact over the next few months.
- Since January 2015, Monitor has been working closely with King’s College Hospital NHS Foundation Trust, to effect a turnaround of the trust and to find a sustainable solution. Monitor is concluding its review of the Trust’s two year recovery plan and is working with the Trust to deliver a five year strategic plan.
- Since May 2015, Monitor has been working closely with St Georges Healthcare NHS Trust, to effect a turnaround of the trust and find a sustainable solution. Monitor has also been liaising with the trust to understand the reasons behind its deterioration in performance following FT accreditation.

5.0 Annual plans for 2015/16

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5.1 Annual plans for 2015/16

Financial year ended 31 March	2014/15 Actual £m	2015/16 Plan £m	Variance to PY £m	Variance to PY %
Operating Revenue for EBITDA	**45,466**	**45,652**	**186**	**0.4%**
Pay costs	(28,948)	(29,385)	(437)	1.5%
Other operating expenses	(14,723)	(15,001)	(278)	1.9%
EBITDA	**1,796**	**1,266**	**(529)**	**-29.5%**
Depreciation	(1,271)	(1,355)	(84)	6.6%
Finance costs	(377)	(399)	(22)	5.7%
PDC dividend	(531)	(575)	(44)	8.4%
Other non-operating items	140	200	60	43.1%
Restructuring costs	(58)	(68)	(10)	17.6%
Net surplus	**(302)**	**(931)**	**(629)**	**208.6%**
Gains/(losses) on transfers [2]	184	(11)	(195)	-105.7%
Impairments	(168)	(154)	14	-8.1%
Net surplus after impairments & transfers by absorption	**(285)**	**(1,096)**	**(810)**	**283.9%**
EBITDA %	3.9%	2.8%		
Net Surplus %	-0.7%	-2.0%		

* The 2014/15 outturn figures are taken from the final APR submissions and are for the whole of 2014/15, including pre-authorisation periods for new FTs. This allows year-on-year comparisons to be made. The 2014/15 surplus stated above, therefore, differs from the Q4 reported position of a net deficit of £349m due to:

1) The exclusion of *Mid Staffs' deficit of £40.8m*, as the trust is no longer licensed;
2) The inclusion of pre-authorisation surplus of £4.3m of those trust which were authorised during 2014/15 (*St Georges, RUH Bath, Derbyshire Community, Bridgewater community, Kent Community, Nottinghamshire Healthcare*) to ensure comparability across the years;
3) Inclusion of 2014/15 surplus of £1.3m reported by *Bradford Care* before the trust's authorisation in May 2015, the trust also submitted a full year plan for 2015/16.
4) Aggregate changes of £1m between FTs' Q4 2014/15 submissions and their final 2015/16 APR submission.

Financial year ended 31 March	2015 Actual £m	2016 Plan £m	Variance to PY £m	Variance to PY %
Property, Plant & equipment	22,309	23,426	1,118	5.0%
PFI assets	3,586	4,001	415	11.6%
Other non-current assets	803	911	108	13.4%
Total non-current assets	**26,697**	**28,338**	**1,641**	**6.1%**
Inventories	539	530	(10)	-1.8%
Trade & other receivables	2,016	1,791	(225)	-11.2%
Accrued revenue	458	443	(15)	-3.3%
Prepayments	433	378	(55)	-12.6%
Cash & Equivalents	3,989	2,820	(1,169)	-29.3%
Other current assets	103	42	(60)	-58.6%
Total current assets	**7,538**	**6,005**	**(1,533)**	**-20.3%**
Borrowings	(186)	(351)	(166)	89.3%
Trade & other payables	(3,014)	(2,902)	112	-3.7%
Accruals	(1,771)	(1,644)	127	-7.2%
Deferred income	(536)	(457)	79	-14.7%
Provisions	(269)	(205)	64	-23.9%
Other current liabilities	(221)	(269)	(48)	21.8%
Total current liabilities	**(5,996)**	**(5,828)**	**168**	**-2.8%**
Net current assets	**1,542**	**177**	**(1,365)**	**-88.5%**
Borrowings	(2,240)	(3,141)	(901)	40.2%
Deferred income	(155)	(147)	8	-5.3%
Provisions	(300)	(284)	16	-5.3%
Leases PFI	(4,217)	(4,275)	(58)	1.4%
Other non-current liabilities	(205)	(214)	(9)	4.2%
Total non-current liabilities	**(7,118)**	**(8,061)**	**(943)**	**13.3%**
Total funds employed	**21,122**	**20,454**	**(667)**	**-3.2%**
Retained earnings	997	(1,220)	(2,217)	-222.4%
Public Dividend Capital	14,386	14,840	454	3.2%
Revaluation reserve	5,630	6,726	1,096	19.5%
Other reserves	109	109	(0)	-0.5%
Total taxpayers' equity	**21,122**	**20,454**	**(667)**	**-3.2%**

* for comparability the figures for 2014/15 do not include Mid Staffordshire NHS FT, which is no longer licensed in 2015/16

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6.0 Glossary and end notes

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6.1 End notes

1	All financial information in this report is year-to-date and based on unaudited monitoring returns from 151 licensed NHS foundation trusts as at 30 June 2015. For foundation trusts authorised during the year, we only include financial data from the date of authorisation. *Bradford District Care* was authorised as a foundation trust during Q1 2015/16 and its post-authorisation performance has been included in this report. *Mid Staffordshire Hospital*, as an unlicensed foundation trust, has been excluded from this period of reporting.
2	The like-for-like comparison in this report is based on excluding the impact of new foundation trusts that were authorised during 2014/15, and 2015/16, foundation trusts that have gone through significant mergers and acquisitions outside the FT sector, and *Mid Staffordshire.*
3	Throughout this report references to surpluses or deficits are before impairments, and gains or losses on transfers by absorption.
4	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.
5	"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
6	104 foundation trusts report performance against the A&E target.
7	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. 120 reported against incomplete pathway targets. The admitted and non-admitted targets were removed in June 2015.
8	84 foundation trusts report performance against the breast cancer: 2 week wait target 99 foundation trusts report performance against the GP referral: 62 day wait target 99 foundation trusts report performance against the all cancers: 2 week wait target
9	For consistency with NHS trust reporting, we deduct restructuring costs in calculating net surplus/deficit.
10	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.
11	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.
Ambulance standard	Red 1 calls - These are the most time critical and cover cardiac arrest patients who are not breathing and do not have a pulse, and other severe conditions such as airway obstruction. Red 2 calls - These are serious but less immediately time-critical and cover conditions such as stroke and fits. Cat A calls - The number of Category A calls (Red 1 and Red 2) resulting in an ambulance arriving at the scene of the incident within 19 minutes.
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.
DToC	A delayed transfer of care (DToC) occurs when a patient is considered ready to leave their current care (acute or non-acute) for home or another form of care but are still occupying a bed.
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.

6.2 Glossary (2/3)

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.
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	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. 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.
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	Following the Francis Inquiry, the medical director of NHS England Sir Bruch 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. The report is available at this link: http://www.nhs.uk/NHSEngland/bruce-keogh-review/Documents/outcomes/keogh-review-final-report.pdf
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	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: http://www.monitor-nhsft.gov.uk/sites/default/files/publications/ToPublishFinalTSAGuidanceApril2013.pdf
Special measures	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.
Surplus or deficits	Refers to the net financial position after operational revenue and expenses. Throughout this report references to surpluses or deficits are before any impairments and gains or losses on transfers by absorption.
Teaching hospitals	"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
Waiting times	The time a patient has to wait before treatment, this is termed RTT (referral to treatment) in the NHS
WTE	Whole Time Equivalent is the ratio of the total number of paid hours during a period (part time, full time, contracted) by the number of working hours in the period. one WTE is equivalent to one employee working full-time.
RAF	From 1 October 2013 the Risk Assessment Framework (RAF) replaced the Compliance Framework 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 RAF, 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.
GRR	There are three categories of governance rating: A green rating indicates that there is no material governance concerns evident. An "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.
COSRR	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.