THE TASK FOR PROVIDERS IN 2019/20
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The government’s new five-year funding settlement for the NHS has enabled national leaders to redraw the service’s financial architecture and has created a strong expectation that trust deficits can begin to be eliminated.

A number of significant changes are being made to NHS finances from 2019/20 to support the overarching goal of provider sector financial recovery. These include increasing core funding for providers by removing the risk reserve previously held by commissioners, an extra £1bn for emergency care, reducing CQUIN incentives by half to 1.25% of contract value, a new £1bn financial recovery fund and a strengthened mental health investment standard.

National leaders expected that the new funding settlement, combined with these changes, would result in a significantly more realistic financial task for trusts in 2019/20, with a consequent reduction in the provider sector deficit. Initial trust reaction to their 2019/20 control totals is the first test of whether this proposed approach is likely to deliver as required.

The process of agreeing control totals is, inevitably, a moving picture as trusts agree contracts with commissioners and also undertake a detailed dialogue with NHS Improvement as part of the annual planning process. NHS Providers surveyed trusts in February 2019 to gauge their initial reaction to their control totals, with 99 trusts responding. This report combines that February survey data with informal feedback on the progress that has been made since.

The impact of the proposed more realistic financial task for providers is definitely being felt:

- 38% of trusts felt more positive in February, after receiving their 2019/20 control totals, compared to 28% of providers feeling more negative.

- The number of trusts that said in February they would not sign up to their control totals was 13%, with 28% unsure. This compares favourably with the similar survey in 2018/19 which showed that 18% would not sign up to their control total and a further 29% unsure. It is therefore reasonable to assume that more trusts will agree their control totals compared to last year. Feedback on progress since the February survey confirms this direction of travel and the latest information suggests that nearly all trusts will agree their 2019/20 control totals (in 2018/19 201 of the 227 trusts agreed their control total).

However, as the last few years have shown, agreeing a control total is different from then actually delivering it. Despite best efforts, the financial pressures on providers have meant that provider financial performance has deteriorated against plan over each of the last few years. Therefore, it is important to assess how deliverable 2019/20 control totals will be. Trusts tend to measure the difficulty of their forward financial task in the level of cost improvement programme (CIP) savings they need to make. Different trusts use different methods to calculate these savings but they can be a useful year on year comparison. Our survey shows that the impact of the more realistic financial task is being felt here as well. The median CIP savings level for 2019/20 is 3.6%. This represents a significant reduction on our 2018/19 survey average of 5%. There is also a welcome, significant, increase in the...
number of trusts with CIP levels below 3%. There are, however, a significant number of trusts reporting higher levels of required CIP savings and the overall task facing providers remains very challenging. Whilst the 2019/20 CIP savings task of 3.6% of turnover is exactly in line with third quarter forecast 2018/19 performance, a third of these savings are non-recurrent and this is not sustainable.

- Our survey, however, highlighted two issues that we believe NHS England and NHS Improvement will need to address if the planned provider sector financial recovery is to be consistently delivered and the number of providers returning to financial surplus maximised:
  - Providers with local authority sector contracts have not received the funding they need, and were promised, to meet the cost of the recent Agenda for Change pay rises agreed by the government. It is significant that the sector with the highest percentage of trusts indicating in our February survey that they will not agree their control totals is standalone community providers.
  - National system leaders argued that individual providers, and the sector as a whole, would benefit from the more realistic provider financial task that has been set. However, our February survey data shows a cohort of providers reporting higher than expected levels of required CIP savings: 12% of survey respondents report CIPs in excess of 6%, with the highest reported CIP being 8%. This suggests that the attempt to provide a more realistic, deliverable, financial task for the sector may not have been universally and consistently achieved. Our survey data and feedback suggests that, unusually compared to previous years, it is not easy to identify the reasons for this variation. Given the need to ensure consistent delivery of financial recovery, we believe that more work needs to be done to identify the reasons for this variability. NHS Improvement may believe that most of this variability is due to provider failure to realise appropriate levels of 2018/19 recurrent savings. However, some trusts tell us that they believe the reasons lie more in the trust by trust impact of a combination of micro factors. These include the impact of how funding for the Agenda for Change pay rise interacts with individual trust grade mix, the impact of the changes to the market forces factor and clinical commissioning group (CCG) allocations, and the changes to specialist tariffs.

- The NHS is moving away from a focus on individual institutions to integrated local health and care systems. This is reflected in the development of system control totals that set the financial performance of a group of providers and commissioners together. Our survey shows trusts are less likely to believe they can achieve their system control total than their own individual organisational control total. Although they do not believe system control totals trump the need to deliver on an individual organisation basis, they do consider them helpful for fostering collaborative working. This may reflect the varying degrees of maturity in system working across the country.

- We have been unable to make a detailed assessment of the difficulty of the performance task for 2019/20 as the access standards for elective surgery and accident and emergency care are currently being reviewed. The performance ask in these areas is therefore significantly less detailed than in previous years.
Our briefing suggests seven ways in which trusts could be more effectively supported to deliver what is needed in 2019/20 and beyond:

- fully fund the required Agenda for Change pay rises for those trusts holding local authority community contracts
- review the impact of 2019/20 specialist tariff changes that our survey suggests have had a significant impact on providers with a case mix skewed to the clinical areas affected
- conduct a quick deep-dive review of why the 2019/20 financial arrangements have not consistently delivered the more realistic financial task expected, identifying why the financial task is higher than expected in some trusts
- given the transition to a new, regionally led, NHS England/Improvement oversight structure, assure the robustness of the financial management oversight arrangements given this transition
- quickly set up a collaborative, national/local, co-creation process to devise the access rules for the new financial recovery fund (FRF) as this is a key missing piece of the 2019/20 financial framework
- create a collaborative national/local co-creation process to develop the journey to system level financial management, including clarity on how this will relate to ongoing individual institutional level financial management
- give trusts a clear, fully funded, workforce planned, recovery trajectory in the core areas of accident and emergency and elective surgery performance.
INTRODUCTION

Each spring NHS Providers assesses the task facing trusts in the year ahead, drawing on the results of a major annual survey of members. This report therefore follows on from Tough task in 2018 and Mission impossible in 2017. It focuses on the deliverability of control totals, the efficiency challenge, and the likely impact on performance across the provider sector.

NHS funding

In June 2018, ministers announced a new and more generous five-year funding settlement for the NHS. An extra £5bn has been added to the NHS budget for 2019/20 above its previously-agreed level, meaning the NHS frontline budget will rise by 3.6% in real terms. The planned annual average increase across the full five year period is 3.4%.

The new funding settlement was, in part, a recognition that the NHS could not provide the level of service the public expect with the money available. It came with increased expectations of what the NHS will deliver, and on the condition that the service produced a long term plan setting out an improved service offer.

Part of this plan is a renewed expectation that the NHS becomes financially sustainable. The service is shaping up to finish 2018/19 with a deficit close to £1bn, once one-off factors are accounted for, and with around 100 trusts in the red – a position similar to a year earlier.

The NHS long term plan, which was published in January, set out a recovery timetable beginning with 2019/20. The aspiration is to halve the number of trusts in deficit in 2019/20, for the provider sector as a whole to be in financial balance by the end of 2020/21 and for every NHS organisation to be in the black by 2022/23.

This financial recovery is seen to be a key test of whether the sector is ‘delivering’ for the extra NHS investment. Current NHS financial performance is likely to be an important factor in decision making on the spending review later this year when important decisions on NHS capital and workforce funding and social care will be made.

2019/20 financial architecture

To enable a decisive shift towards financial recovery in 2019/20, national leaders have made a set of changes to the financial architecture of the NHS:

- Core funding for providers will be increased by removing centrally-held risk reserves, which in recent years have totalled around £1bn annually.
- The marginal rate emergency tariff (MRET), which reduces the rate paid to trusts if emergency admissions exceed a set threshold, will be abolished. Central funding will be available to trusts to fully cover the cost of each admission – but this can only be accessed if they agree their control totals. In 2018/19 trusts were on track to lose around £350m via MRET.
The provider sustainability fund (PSF), which is given to trusts that agree their control totals and deliver on operational and financial performance, will be reduced from £2.45bn to £1.25bn.

£1bn will be taken out of PSF and put into core funding for urgent and emergency care.

Commissioning for quality and innovation (CQUIN) incentives will be reduced and simplified. The total available via CQUIN will be halved from 2.5% of contract values to 1.25% – meaning less money being held back from core funding.

The mental health investment standard (MHiS) will be strengthened, with more checks on commissioners to ensure mental health budgets increase as a proportion of overall spend.

A new FRF, worth £1bn, will be available to all trusts that agree to deficit control totals.

The new rules also put trusts under more pressure to agree to their control totals, as providers will not be able to access MRET, PSF and FRF funding if they refuse.

This is designed to support the provider sector to make rapid progress in reducing provider deficits in 2019/20. National leaders believed that the new funding settlement, combined with these changes, would result in a significantly more realistic task for trusts in 2019/20. They expected the vast majority of providers would agree their control totals and ensure they were delivered with less in-year slippage compared to previous years.

Trust reaction to their proposed 2019/20 control totals is therefore the first indication of whether this approach is likely to be delivered. NHS Providers has, for the last three years, conducted a member survey of initial trust reaction to their proposed control totals, giving us a valuable snapshot of attitudes to control totals over a three-year time series. The 2019/20 data was gathered from 99 trusts (43% of the provider sector) in February 2019. The process of agreeing control totals is, inevitably, a moving picture as trusts agree contracts with commissioners and also undertake a detailed dialogue with NHS Improvement as part of the annual planning process. This report therefore combines that February survey data with informal feedback on the progress that has been made since.

**2019/20 performance**

There is no clear trajectory for improving performance beyond a requirement to reduce 52-week waits for elective surgery and to hit cancer waiting time targets. A clinical review of performance standards is currently underway, with an interim report containing initial proposals published in March 2019.
Our survey, conducted in February 2019, gives a specifically timed snapshot of trusts’ initial reaction to their control totals.

13% of respondents indicated in February 2019 that they would not sign up to their 2019/20 control total, while a further 28% said they did not know.

**Figure 1**

*Is your trust planning to sign up to its control total for 2019/20?*

<table>
<thead>
<tr>
<th>Trust Type</th>
<th>Yes (%)</th>
<th>No (%)</th>
<th>Don’t know (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acute specialist trust (n=8)</td>
<td>63%</td>
<td>25%</td>
<td>13%</td>
</tr>
<tr>
<td>Acute trust (n=37)</td>
<td>54%</td>
<td>11%</td>
<td>35%</td>
</tr>
<tr>
<td>Ambulance trust (n=8)</td>
<td>67%</td>
<td></td>
<td>33%</td>
</tr>
<tr>
<td>Combined acute and community trust (n=17)</td>
<td>65%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Combined mental health / learning disability and community trust (n=11)</td>
<td>55%</td>
<td>9%</td>
<td>36%</td>
</tr>
<tr>
<td>Community trust (n=7)</td>
<td>43%</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td>Mental health / learning disability trust (n=16)</td>
<td>69%</td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

This compares favourably to the results of the survey conducted at the same point in 2018. In that survey, 18% of respondents said they would not sign their control totals, while a further 29% did not know.
In 2018/19 201 of the 227 providers (89%) actually ended up agreeing their control total. It is therefore reasonable to assume that more trusts will agree their control totals compared to last year. Feedback on progress since our February survey confirms this direction of travel and the latest information suggests that nearly all trusts will agree their 2019/20 control totals (in 2018/19 201 of the 227 trusts agreed their control total).

As clearly shown in recent years, there are strong incentives on providers (for example, access to PSF and capital) to agree their control totals, even if provider boards are concerned about their deliverability. A number of trusts have indicated that they believe the pressures on them to accept their 2019/20 control totals – the financial incentives and the overall positioning of the new financial architecture by the arms length bodies – have been greater than ever. While it is positive that the number of trusts agreeing to their control total will be significantly higher than last year, the number of trusts indicating in February they would be unable to accept injects an important note of caution.

What has changed in our survey results this year, compared to last year, is how trusts in different sectors initially reacted to their control totals.

Community trusts

All community trusts that answered our February 2019 survey said they agreed their 2018/19 control total. However, for 2019/20, 29% of those trusts initially indicated they would not sign up to their control total – the highest rate in any sector.

A specific issue has arisen for community providers regarding public health services commissioned by councils: Agenda for Change staff delivering those services are due a pay rise but funding for local authorities has not been increased to fund them. While the Treasury has made money available to fund the three-year Agenda for Change pay deal agreed last year, this has been routed through the NHS tariff payment system from 2019/20 onwards.
It is therefore unavailable to local authorities, even though NHS providers remain obliged to increase pay for all Agenda for Change staff. While all providers of community services are affected, the high rate of community trusts not agreeing to their control totals reflects the fact that these organisations are often the most exposed to this issue as local authority contracts tend to form a higher proportion of their income.

One survey respondent wrote: “Having initially felt positive, we now know that the pay award funding having been issued via CCG allocations will not find its way to local authority contracts held by the trust for sexual health and 0-19 services and this is a pressure for us.”

Another said: “Currently there is no clarity of funding of NHS pay award for services commissioned by non-NHS commissioners e.g. local authorities. This is a £1.7m hit to my trust and if not funded it would not be possible to hit the control total. Adjusting the control total would not work as that would leave us with income and expenditure deficit before PSF which would lose credibility of the process with senior managers and also risk cash flow for investment in capital.”

This problem has been discussed extensively with national level NHS system leaders with early indications that the problem would be resolved. A number of community trusts have recently told us that they have now accepted their control totals on that basis. However, the issue still remains unresolved, with a significant number of trusts with community services contracts therefore currently carrying a significant financial risk.

A number of trusts, particularly a group of standalone community trusts, tell us that this risk represents the difference between being in financial surplus and deficit. If the NHS is to realise its clear, stated, objective of maximising the number of trusts in surplus, it is vital that the original government commitment to fully fund the agenda for change pay rise is met.

Specialist trusts

A quarter of acute specialist trusts in our February 2019 survey indicated that they did not intend to agree their control totals: more than twice the rate of non-specialist acute trusts (11%).

Specialist trusts indicating in February 2019 they would be unable to sign up to their control totals cite changes to ‘transition’ funding – money which smooths the impact of decreases in ‘top-up’ payments for some types of activity. In 2019/20 this funding is reducing for three specialisms – paediatrics, orthopaedics and spinal cord injury services. Trusts that rely on these services for a significant proportion of their income stand to lose money in the coming year.

NHS Improvement have indicated that they have been working hard over the last two months to resolve these issues but, at mid April, trusts are indicating that the issues around the orthopaedic tariff remain unresolved. We believe that assurance is needed that all these issues have been properly resolved, with the relevant trusts having the opportunity to contribute to that assurance process.
Control total perceptions

Our survey shows that nearly two thirds of control totals for 2019/20 are for deficit positions, before the allocation of non-recurrent funding such as PSF and the new FRF. Only a quarter are for a surplus.

Community is the only sector for which both the mean and the median average control total is for a surplus though, as outlined above, a significant proportion of community trusts initially indicated in February 2019 that they did not believe that their control total was deliverable. At February 2019, the acute, combined acute and community sectors were overall forecasting deficits significantly larger than the average. However, trusts and NHS Improvement have indicated that they have been working hard over the last two months to improve their forecast 2019/20 financial performance. This includes, for example, working with NHS Improvement and NHS England to ensure that CCGs have contracted with providers for appropriate amounts of activity in 2019/20. Trusts tell us that this work has borne fruit but, it is still to be seen whether trusts will actually be able to deliver the required task and their agreed plan as the year progresses.

Figure 3
What is your trust control total for 2019/20, excluding allocated PSF, FRF and MRET funding?

- Surplus: 26%
- Break even: 10%
- Deficit: 64%

(n = 98)
Table 1

**Surplus, deficit and breakeven control totals**

<table>
<thead>
<tr>
<th></th>
<th>£ Average</th>
<th>£ Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>All trusts</td>
<td>−8,544,956</td>
<td>−1,250,000</td>
</tr>
<tr>
<td>Acute specialist</td>
<td>−4,216,714</td>
<td>−</td>
</tr>
<tr>
<td>Acute</td>
<td>−15,129,455</td>
<td>−14,183,000</td>
</tr>
<tr>
<td>Ambulance</td>
<td>−1,400,000</td>
<td>−</td>
</tr>
<tr>
<td>Combined acute and community</td>
<td>−13,862,750</td>
<td>−13,603,500</td>
</tr>
<tr>
<td>Combined mental health / learning disability and community</td>
<td>−761,100</td>
<td>−176,500</td>
</tr>
<tr>
<td>Community trust</td>
<td>508,078</td>
<td>200,000</td>
</tr>
<tr>
<td>Mental health / learning disability trust</td>
<td>−1,285,800</td>
<td>−31,000</td>
</tr>
</tbody>
</table>

National system leaders expected the vast majority of trusts to react positively to what they believed would be ‘more realistic and deliverable’ control totals compared to previous years. We therefore added a new question to our survey this year asking whether trusts felt more positive or negative after receiving their control totals. 38% felt more positive and 28% of providers felt more negative. This suggests that whilst the overall reaction to the 2019/20 task was positive, there was still a significant minority whose initial reaction in February was that their control total was worse than they were expecting.

**Figure 4**

**Compared with how you were feeling before you received your control total, now that you have your target for 2019/20 do you feel?**

- More positive: 38%
- About the same: 34%
- More negative: 28%

*(n=94)*
Confidence in delivering the required financial task

As the last few years have shown, agreeing a control total is different from actually delivering it. Despite best efforts, the financial pressures on providers have meant that provider financial performance has deteriorated against plan over each of the last few years. It is therefore important to assess how deliverable 2019/20 control totals will be.

Our survey shows that, in February, a significant number of trusts had concerns that their control total would be stretching to deliver. 30% of providers were either ‘not confident’ or ‘not at all confident’ about hitting their 2019/20 control totals, while only 26% described themselves as ‘very confident’ or ‘confident’.

It is interesting to note that this represents a drop in confidence compared to a year ago. In our 2018 control totals survey, 15% were ‘not confident’ or ‘not at all confident’, while 35% were ‘very confident’ or ‘fairly confident’.

**Figure 5**

*How confident are you about achieving your control total?*

Comments from trusts to our survey reflect an interesting diversity in reactions to 2019/20 control totals. One trust said NHS Improvement had taken a “more sensible approach” to setting their control total, which they described as “achievable, and starts from a more realistic baseline”. Similarly, another said there had been “recognition of current financial challenges... unlike previous years”. However, others noted that the “financial consequences of not accepting the control total are huge”, citing MRET and PSF incentives.
The sector with the lowest confidence in achieving their 2019/20 control totals, in our February snapshot, were providers of community services. On average, 30% of all trusts indicated that they were ‘not confident’ or ‘not at all confident’ of achieving their control total. This rose to 42% of combined acute and community trusts, 45% of combined mental health trusts and 43% of standalone community trusts. We believe this reflects the unfunded cost pressure relating to local authority funded Agenda for Change staff.

Trusts with the highest rating in NHS Improvement’s single outcomes framework (SOF) told us in February they were the most confident about delivering their control totals – 37% in segment 1, the highest rating, said they were ‘confident’ or ‘very confident’, while 27% were ‘not confident’ or ‘not at all confident’. However, in segment 3, just 21% expressed confidence, while 34% were ‘not confident’. Of the three respondents in segment 4, all said they were ‘neither confident nor not confident’.
Figure 7
How confident are you about achieving your control total in 2019/20?
NHSI segmentation

Trusts expressed concerns over how their control totals had been calculated, with some arguing that the calculations were opaque and in need of clarification. Some providers were confused about which factors had been built into their control totals – for example whether Agenda for Change pressures or one-off income had been taken into account. Trusts have told us that, given the number of changes to the NHS financial architecture in 2019/20, many found the calculation difficult to understand. They tell us that their understanding has grown significantly over the last two months as the dialogue with NHS Improvement has deepened and this should be borne in mind when interpreting the results of our February 'initial reactions' survey.
Required levels of 2019/20 savings – the efficiency challenge

Trusts tend to measure the difficulty of their forward financial task through the level of CIP savings they need to make. Trusts’ forecasts of the levels of required CIP savings to realise their 2019/20 control totals are therefore another good indication of the potential deliverability of the overall 2019/20 financial task. Different trusts use different methods to calculate these savings, but they can be a useful year-on-year comparison.

The core funding available to the NHS has risen for 2019/20 and changes have been made to the NHS financial architecture. As a result, the tariff payment system assumes an efficiency factor of 1.1% per year. This has been welcomed by the provider sector as the most realistic requirement for several years.

Our February survey found that the median cost improvement programme required as a percentage of turnover for 2019/20 will be 3.6%. This is comparable with delivery in recent years. The provider sector as a whole achieved savings worth 3.7% of turnover in 2017/18, although more than a third of the total were one-off, non-recurrent, savings rather than genuine efficiencies.

In 2018/19, at (Q3) trusts were forecasting 3.6% efficiency savings – with a slightly higher proportion of these being non-recurrent than the year before.

The overall CIP requirement for 2019/20 therefore feels to be at the upper end of what the service can reasonably be expected to deliver.

For some organisations, the efficiency challenge looks extremely challenging. Half of those who completed our survey have CIPs that are higher than the average rate of delivery for the sector as a whole in 2018/19. Additionally, there are still some trusts with very high CIP challenges – 12% of providers have a CIP of over 6% of turnover. Four trusts told us their CIP would be 8%.

This is, however, also a major improvement on 2018/19. In our survey a year ago, the median reported CIP was 5%. 15% of trusts faced a CIP of more than 8%.

At the other end of the scale, 21% of trusts say their 2019/20 CIP will be below 3%. A year ago, it was just 12%. 
Overall, therefore, the efficiency challenge in 2019/20 looks to be less severe and more realistic than the past two years. As a whole, it is in line with the current levels of actual delivery. However, while CIPs are on average more realistic, the change is less dramatic than many will have expected, given the 1.1% efficiency factor in the tariff, and the large uplift in overall NHS funding. There will inevitably be trusts whose CIPs are high – and for some of these organisations the efficiency challenge will still appear very difficult and challenging.
This will be particularly true for trusts with deficit control totals wishing to access FRF, as one of the conditions attached to the fund is to deliver an additional 0.5% efficiency. A fifth of trusts felt either ‘not confident’ or ‘not at all confident’ that they could deliver the extra efficiency needed to access FRF. As CIP delivery is essential to a trust hitting its control total, the stretching efficiency requirements facing trusts in 2019/20 may be a factor driving some of the low levels of confidence described earlier.

Explaining variability

A key underlying theme of our survey was that the financial task facing trusts was not universally ‘better and more realistic than previous years’ in the way trusts had expected, given how the 2019/20 financial framework had initially been positioned by national system leaders.

As the survey results above show, it was striking that while the positive impact of the extra funding and the architecture changes was definitely being felt across the sector, there was considerable variability in trusts’ reactions to their control totals.

The survey found that trusts in the same category – for example large combined mental health and community trusts, or medium sized district general hospitals – have not necessarily reacted to their control totals in the same way. The measures taken at a national level to support the provider sector have not had the same positive impact everywhere. This is unusual, in our experience. Changes to the financial framework tend to impact similar types of trust in a similar way.

There is currently a lively debate in the sector around the reasons for this variability. NHS Improvement has indicated to us that they believe that most of this variability is due to provider failure to realise appropriate levels of 2018/19 recurrent savings, with a consequent impact on 2019/20 run rate.

Trusts tell us that an alternative explanation is the aggregate impact of a number of different micro factors is affecting trusts in different ways. These micro factors include:

- Some trusts have told us that the overall increase in funding is not enough to mitigate changes to the market forces factor (MFF) in the tariff.
- Providers have also reported commissioners proposing to increase contract values by less than the uplift they will receive – effectively not passing on the funding rise to providers. Providers also report that some CCGs under financial pressure are not commissioning realistic amounts of provider activity in 2019/20 as a way of managing their financial challenge. It is worth noting that there have been some significant changes to CCG allocations in 2019/20 as part of a longer-term strategy to align funding better with health need.
- Changes to the urgent and emergency care tariff will also leave acute trusts with a shortfall in income if they cannot agree a realistic forecast of emergency activity with their clinical commissioning groups.
● Some trusts have a grade mix with a larger than average proportion of their workforce in the pay bands that, in 2019/20, benefit most from the Agenda for Change pay deal agreed last year. This means that their pay costs will increase by more than the average assumed in the tariff.

As we suggest in our section on recommended actions below, we believe more work is needed to understand this variability.

System control totals

The NHS long term plan emphasises a move towards system working. It introduces a new expectation that all trusts will be part of integrated care systems, with advanced levels of collaboration and joint accountability, by 2021. The credibility of system control totals – which cover a group of providers and commissioners in a wider health and care system – is therefore becoming increasingly important.

Our survey showed that, in February, less than a fifth of trusts believed their system control total was achievable, while two fifths believed it was not. A high proportion however, 39%, did not know. Trust leaders were, therefore, more likely to believe their own organisation’s control total was achievable than their system control total. This possibly reflects the varying degrees of maturity in system working across the country: most areas are not yet capable of an advanced level of collaboration and therefore only a minority have integrated care system status.

Figure 9

Do you think your system control total is achievable?

![Circle chart showing responses to the question: Do you think your system control total is achievable?](image)

However, despite being sceptical that system control totals will be achievable, trusts tended to believe they are helpful in encouraging collaborative system working. More than half said they were ‘very helpful’ or ‘somewhat helpful’, compared with just 11% who said they were ‘somewhat unhelpful’ or ‘very unhelpful’.
Several trusts expressed doubts that system incentives would trump the need to deliver an individual organisation’s financial requirements.

One trust commented: “System control totals whilst we still have a provider/commissioner split and organisation-level regulation do not solve the problem – the first thing the system would need to do would be to agree what each organisation needs to deliver in order to meet the system control total, which is no further forward than we are now... telling everyone to forget about their individual budgets and just focus on achieving the overall financial target of the organisation would lead to loss of, rather than improved, financial performance and control.”
Although national leaders have not set a clear trajectory for improving performance, as in previous years, we have looked at the 2019/20 provider sector performance task. The effects of several years of funding constraint are not only visible in the scale of the financial challenge facing trusts – they are also being felt by patients, most obviously in the form of declining performance against national standards.

Data published by NHS Improvement covering Q3 2018/19, the most recent available, shows performance against the four-hour accident and emergency standard was 87.7% – worse than a year earlier. Early data for Q4 suggests performance slipped further in the following weeks, to its worst recorded levels. As the table below shows, the number of trusts unable to deliver against this standard has increased dramatically in the past six years. Not only has the number of trusts performing below the target increased, but they are also missing the target by a much bigger margin: in 2012/13 there were only 16 trusts performing below 90% and none below 80% while in 2018/19 there were 106 below 90% and 53 below 80%.

Table 2a

| Percentage of all patients seen within four hours at trusts with a major A&E department – 2018/19 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 59.5 | 60.4 | 61.1 | 61.4 | 61.7 | 61.7 | 62.0 | 62.7 | 65.9 | 66.1 |
| 67.6 | 68.5 | 70.0 | 71.3 | 71.8 | 71.9 | 72.3 | 72.5 | 72.8 | 73.0 |
| 73.8 | 73.9 | 74.2 | 74.2 | 74.9 | 74.9 | 75.2 | 75.3 | 75.5 | 75.7 |
| 76.3 | 76.3 | 76.4 | 76.5 | 76.5 | 76.9 | 76.9 | 77.0 | 77.9 | 78.1 |
| 78.2 | 78.2 | 78.4 | 78.5 | 78.6 | 78.6 | 78.8 | 78.9 | 79.1 | 79.4 |
| 79.5 | 79.7 | 79.9 | 80.4 | 80.6 | 80.6 | 81.1 | 81.2 | 81.3 | 81.4 |
| 81.5 | 82.0 | 82.1 | 82.1 | 82.2 | 82.5 | 82.5 | 82.5 | 82.6 | 82.6 |
| 82.8 | 83.0 | 83.1 | 83.3 | 83.3 | 84.0 | 84.5 | 84.8 | 85.0 | 85.0 |
| 85.0 | 85.3 | 85.5 | 85.6 | 85.6 | 85.7 | 85.7 | 85.7 | 85.9 | 86.1 |
| 86.1 | 86.2 | 87.0 | 87.3 | 87.4 | 87.4 | 87.5 | 88.0 | 88.4 | 88.4 |
| 88.5 | 88.8 | 89.7 | 89.8 | 89.9 | 89.9 | 90.1 | 90.1 | 90.3 | 90.4 |
| 90.4 | 90.6 | 90.7 | 90.8 | 91.1 | 91.4 | 91.8 | 92.2 | 92.4 | 92.6 |
| 92.7 | 92.8 | 93.3 | 93.8 | 94.4 | 94.4 | 94.5 | 94.8 | 94.9 | 96.5 |
| 96.9 | 97.2 | 97.2 |
Trusts are similarly struggling against other key standards. At Q3 2018/19:

- on the 18-week referral to treatment target, performance stood at 86.7% – the worst national performance since funding constraints began in 2010
- the elective waiting list had grown by 9.8% in a year to 4.3 million
- only one of six ambulance response time targets was being met.

Trusts report that access to mental health services is similarly struggling to keep up with demand. Our recent report, *Mental health services: Addressing the care deficit*, included the results of a survey in which a significant majority of trusts said waiting times both children’s and adult community mental health services were rising. The only service with a notable number of respondents saying waiting times were decreasing was psychiatric liaison services.
The same survey also found that trusts overwhelmingly are unable to meet demand for both children’s and adult community services.
Figure 12
How would you describe your trust’s ability to meet the current demand for the following mental health services

<table>
<thead>
<tr>
<th>Service</th>
<th>Confident</th>
<th>Not confident</th>
<th>Not at all confident</th>
<th>Don’t know</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community adult mental health services (n=30)</td>
<td>17%</td>
<td>25%</td>
<td>58%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender identity services (n=13)</td>
<td>8%</td>
<td>31%</td>
<td>38%</td>
<td>23%</td>
<td></td>
</tr>
<tr>
<td>Community CAMHS (n=32)</td>
<td>9%</td>
<td>9%</td>
<td>81%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Patient care is the ultimate priority for providers – trusts will do whatever is possible to improve care and access. Due to providers’ efforts over the past year to remove friction in the emergency care system, there have been significant improvements in two key ‘flow’ indicators – delayed transfers of care (DTOCs) and ambulance handover times.

Figure 13
DTOC days over time
2013/14 – 2018/19

DTOC days (thousands)
Trusts also delivered a major improvement in productivity in the first three quarters of 2018/19 – 1.6% compared with 1.2% a year earlier. This enabled more patients to be seen and treated with fewer inpatient beds open than in 2017/18. These are valuable improvements and will have resulted in a tangibly better experience for many patients. However, emergency admissions increased by 6.1% in a year between 2017/18 and 2018/19. In the face of sharply rising demand, improvements in productivity and patient flow will not, on their own, be enough to enable the service to deliver the level of performance that is expected of it.

A review of clinical standards is currently underway and is expected to be completed before the end of 2019. This is an important piece of work, the impact of which will be felt by NHS leaders for many years to come. It is reasonable for national leaders to review the essential standards used to judge the performance of the health service, and the review presents an opportunity to improve care for the most critically ill patients. However, due to the significance of the work, those leading the programme must take care to build consensus with patients, the public, clinicians, managers, politicians and trusts. They must also test any changes comprehensively and they need to allow as much time as possible to implement them. Until this work is complete, the trajectory for improving performance, unlike finances, is unclear.
The 2019/20 financial settlement is now set, with the available funding now allocated. It is important that, in the first year of increased NHS funding and a shift in the financial architecture, the NHS frontline delivers the financial improvement being targeted. It is also important that 2019/20 becomes the first year of a multi year sustained improvement in NHS finances and performance. Set out below are seven suggested actions that will help support the required improvement in both 2019/20 and beyond.

1 **Fully funding the Agenda for Change pay rise for community service providers**

   The government committed in parliament to fully funding the Agenda for Change pay rise but community service providers holding local authority contracts have not been appropriately funded. As our survey shows, this is driving avoidable financial deficits. The government and national NHS system leaders need to meet the commitment that has been made.

2 **Reviewing the impact of specialist tariff changes**

   Our survey suggests that 2019/20 tariff changes have particularly adversely affected some specialist trusts and others with high volumes of activity in the areas where the tariff has changed. Before setting the tariff for 2020/21, the impact of these changes should be reviewed.

3 **Understanding the reasons for unexpected 2019/20 variability**

   Our survey, and wider feedback from our members, suggests that while many members have welcomed the 2019/20 financial settlement and the more realistic financial task it has set, there are larger numbers of trusts than expected arguing their 2019/20 financial task will be very difficult to deliver. We think it significant that trusts of a similar type and profile are reporting greater variability in the difficulty of achieving their 2019/20 financial task than in previous years. A quick, collaborative, deep-dive exercise in an appropriate number of relevant trusts, to understand why those trusts are finding their 2019/20 financial task more difficult than expected, would be very useful.

4 **Assuring oversight given the change in NHS England/NHS Improvement structure and processes**

   Recent changes in the NHS England and NHS Improvement structure, particularly the creation of new regional directors, will mean significant changes in the way NHS finances and performance are managed. This transition brings added risk for 2019/20 financial and performance management. Appropriate NHS England/NHS Improvement national level assurance that this is being managed and supported effectively is important. Effective performance and financial management in the NHS depends on an appropriate collaborative partnership between trust level and arms length body leaders. The new regional directors need to collaboratively and openly co-create the new financial and performance management processes with trust leaders.
5 **Quick, collaborative, co-creation of the rules for the FRF**

Access to the FRF will represent an important element of trusts’ plans where they are in deficit, so they need rapid clarity on how the fund will actually work. There is a significant amount of complex work to do here but no clarity on how, when or at what level it will be done (for example, a single national approach, or one that varies between regions). It is important this work is done collaboratively with trust leaders. Trusts accessing the FRF remain concerned about their ability to deliver an additional 0.5% of efficiencies, and a quick light touch collaborative review exercise on this deliverability, at an appropriate point in 2019/20 and before the 2020/21 framework is set, would be helpful.

6 **Collaborative development of the journey to system control totals**

Trusts, and their local partners, are on a journey towards system level financial management (in complement to organisational financial management). The experience of the early integrated care systems (ICSs) suggests that this journey is difficult and complex. It would help, as with the wider sustainability and transformation partnership/ICS development journey, if more national level resource could be devoted co-creating these policy developments, and the mechanisms to support their implementation, with the sector.

7 **A clear, funded, performance recovery trajectory underpinned by appropriate workforce skills and capacity**

As this report has set out, setting a recovery trajectory for core NHS constitutional standards is currently on hold while those standards are reviewed. Once that review is complete, trusts will need clarity on the expectations to be set via the introduction of new standards and the desired recovery trajectory, including appropriate time to operationalise any changes. This is a critical piece of work to align the ‘ask’ of the service, and the access standards the public rightly expects for timely, high quality care, with the available funding. It needs to be developed collaboratively, fully funded and aligned with a realistic view of the available workforce.
In the context of wider public sector spending, the new funding settlement for the NHS is generous and welcome. More providers feel positive about their control totals than not, and the likelihood is that the new money will lead to a significant improvement in financial health for many trusts, and for the provider sector as a whole.

Providers are keen to ensure 2019/20 is a success and that the decisive shift towards financial recovery takes place. However, these survey results demonstrate that the year ahead will not be easy.

The provider sector’s financial position is being improved largely through the tariff. The intention is that increases to core funding, particularly for acute trusts where the bulk of the deficits lie, will support the vast majority of provider trusts to maintain a sustainable financial position. Those trusts which need further financial support will have access to the FRF. This will help the large number of providers that are financially viable, but have been tipped into deficit by the unrealistic expectations of the last few years, return to balance by 2022/23.

However, this depends on another year of CIPs of 3-4%, which recent years have taught us trusts can only deliver by relying one-off savings. For many trusts this will be extremely challenging, particularly since they have been told the proceeds of land sales, which have been a useful recent source of savings, can no longer count towards efficiency targets.

The strategy is largely focused on restoring finances among acute trusts, and assumes there will be no deterioration in other sectors. However, the results of this survey demonstrate that there are some other groups of providers that will need attention: those with contracts for council-commissioned public health services, particularly standalone community trusts, and specialist trusts.

Due to rising activity across all sectors, the health system will remain under major strain. For a significant minority of providers, there is a risk that the numbers still do not add up. For some, the extra money available is simply not enough to put them into run rate surplus or to pay back bailout loans owed to the Department of Health and Social Care.

System control totals have the potential to change how local partners work together over the long term, but they remain in their infancy. In 2019/20, the last year of single-organisation control totals, there is less confidence in the achievability of system control totals than in trusts’ own targets.

Finances will remain tight in 2019/20. Funding constraints, which result in capacity and workforce pressures, are the underlying cause of the decline in operational performance in recent years. It is likely therefore that, in the months and years ahead, the NHS will continue to struggle with rising demand. Without dedicated funding and solid progress on addressing current workforce challenges, reversing the decline on key waiting time indicators will be slow. It is therefore vital to acknowledge the scale of the recovery task facing the NHS, and to set realistic expectations for trusts.
Contact information

If you have any thoughts or concerns about your control total and the 2019/20 challenge, we would like to hear from you.

If you want to get in touch, please contact our policy advisor for finances:
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